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Algeria 4.00 Dm Israel 15.800 Norway 7.00 NLG.
Angola 20 S Italy 1.000 Lira Oman 0.70 Rand
Bahrain 0.450 Dinar Jordan 450 Frs Portugal 90 Esc.
Belgium 45 BEF Kenya Sh. 10.00 Qatar 4.50 Rials
Cameroun 100 FCN Libya 1.000 Dinar Saudi Arabia 4.00 R.
China C.F. 0.75 Kuwait 200 Frs Iraq 1.000 Dinar
Denmark 6.000 DK Lebanon 2.500 L. Spain 115 Pesos
Egypt 100 P. Libya 1.000 D. Sweden 7.00 S.K.
Finland 7.00 F.M. Luxembourg 1.200 S.D. Switzerland 2.20 S.F.
France 20 F. Morocco 100 Frs Turkey 1.00 T.L.
Germany 2.20 D.M. Malta 35 Cent. United Arab Emirates 4.00 D.E.
Great Britain 2.20 P. Morocco 5.00 Dhs. U.S.A. 4.50 Dhs
Greece 80 Dr. Netherlands 2.75 F. U.S.S.R. 1.00 R.
Ireland 115 Rupees Nigeria 175 L. Yugoslavia 200 D.

ESTABLISHED 1887

Peru Candidate Says Shuttle He'll Bypass the IMF Can't Save Satellite

By Jackson Dichl
Washington Post Service

LIMA — Alan García Pérez, the victor in the first round of Peru's presidential election Sunday, says his government will bypass negotiations with the International Monetary Fund on its foreign debt and will promote joint action by Latin American countries on seeking new terms for outstanding commercial debts.

Mr. García, the leader of the center-left American Popular Revolutionary Alliance, or APRA, sharply criticized the Reagan administration Tuesday for "deformed con-

ditions. most of the more than 1,000 victims were men."

A hot-air balloon bearing colors of France and the USA, side the Eiffel Tower to signal the start of a campaign to raise the Statue of Liberty. The statue, by the French sculptor Frédéric Auguste Bartholdi, is undergoing renovation, expected to cost about \$50 million, the target date for completion, 4. 1986.

Imelda Marcos has made herself a singer and songwriter. Bulletin Today newspaper reports, in Manila. It said she sang "Forever," and dedicated to her husband, President Ferdinand E. Marcos of the Philippines, at a state luncheon that she gave for the secretary-general of the Muslim World League. Ms. Imelda Marcos, who studied in college, wrote the lyrics of the song last month on her way to the funeral of the Soviet Union's Konstantin U. Chernovets.

Third World nations dispute a U.S. proposal on monetary revisions. Page 15.

Jeeps about Latin America" and Nicaragua's Sandinist government as "the progressive affirmation of democracy in Central America."

He said his government would follow a nonaligned and Third World foreign policy that would stress the development of regional initiatives for treating the foreign debt and relations with the United States.

Vote calculations from Sunday's national election continued to show Mr. García's total is just under 50 percent, more than double the nearest challenger but short of the majority needed to avoid a runoff. He is already acknowledged as the de facto president-elect by some political leaders.

Mr. García's comments on economic policy, made to foreign journalists, suggested that his government would adopt the most radical stance with the IMF and international banks yet taken by a major

(Continued on Page 2, Col. 5)

South American debtor and could presage an open confrontation with Latin American banks.

Mr. García, 35, said the IMF's economic agreements with Latin American countries, the basis for management of foreign-debt problems, were "absurd" and involved "the colonial importation of concepts" by developing countries.

"It is not true that these types of measures are adequate for our economies," he said. Peru, he said, would seek to pass over the IMF "so as to address our creditors directly."

The commercial banks that have

hundreds of billions of dollars in outstanding loans to Latin American countries have required that the debtor countries reach agreement with the IMF on economic programs as a condition for extending the terms of existing loans and providing fresh funds. Brazil and Argentina, which account for nearly \$150 billion in outstanding loans, are trying to reach new agreements with the IMF.

If Peru did not accept an IMF program, it could provoke a confrontation with its creditors leading to the suspension of all credit or even a formal default on its outstanding loans, financial sources here said. Such an action by Peru would be closely watched in Argentina and Brazil.

Peru's foreign debt stands at \$13 billion, and the country is nearly \$300 million behind in interest payments to commercial banks. Its last

agreement with the IMF, linked to a tentative debt rescheduling plan with banks, was suspended last year after President Fernando Belaúnde Terry's government failed

The shuttle astronauts did everything asked of them Wednesday to save the satellite, the third in a series leased by the U.S. Navy. The failure of the satellite, which was insured for \$85 million, followed the loss of three satellites last year and prompted renewed concern about rising insurance rates.

With the shuttle flying about 30 feet (9 meters) alongside the satellite, Dr. Margaret Rhea Seddon carefully guided the 50-foot mechanical arm so that makeshift tools on the end brushed against the side of the slowly rotating payload.

The device twice snagged a four-inch (1.3-centimeter) power lever but failed to budge it. One rung of the three-rung plastic device broke under the pressure.

Dr. Seddon had only a six-minute period, or "window," in which to perform the maneuver because of the rotation and the necessity of the satellite being in a certain position above the Earth.

When that time passed, Mission Control radioed, "The window is closed."

Television, newspapers and movie theaters have been filled with wartime reminiscences. The portrayal of the Allies' role is often belittling, sometimes negative.

By stressing the military triumph, particularly that of the Red Army, the Russians have diverged from the conciliatory theme underlined in the West.

This has particularly concerned the West Germans, who have been the target of a long-standing Soviet campaign accusing them of "revanchist" ambitions to reunite the two Germanys.

Bona's current allies are also sensitive to the West Germans' concern and want to avoid getting involved in what a Western diplomat called "a German-bashing session" in Moscow on May 9.

Last year, at the 40th anniversary of the Normandy landings, the Germans were not invited. This year, President Ronald Reagan rearranged his schedule so as not to be in West Germany on May 8, the date V-E Day, for Victory in Europe, is celebrated in the West.

This is also the view that the Western Allies, by participating in the Moscow celebrations, would help lower the level of the propaganda and persuade the Russians to give more recognition to Allied cooperation.

But, a Western diplomat said recently, participation could lead to "embarrassment if, because of some of the things said, we had to walk out."

Unofficial groups of Americans and citizens are expected to come for the celebrations, regardless of official participation.

Some Russians who took umbrage last year at the passing notice paid to the Soviet war effort during the celebration of D-Day feel that the former allies do not want to acknowledge the Soviet role in the 1945 victory.

To them, a U.S. decision not to have official representation at Torgau on the Elbe River,

where the U.S. and Soviet armies met on April 25, 1945, is a sign that memories of Allied cooperation are hostage to current politics.

The U.S. decision was made

in retaliation for the killing

of March 24 of a U.S. major at a Soviet military installation in East Germany.

It also gave birth to the East-

Astronauts Hit, Fail to Trigger, Power Switch

Compiled by Our Staff From Dispatches

CAPE CANAVERAL, Florida — Astronauts aboard the U.S. space shuttle Discovery twice snatched the power switch on a stranded satellite with the shuttle's robot arm Wednesday but the switch, apparently jammed, failed to budge.

The effort was abandoned and the Syncron satellite was left in space as an \$85-million derelict.

"You did everything you possibly could," a Mission Control communications officer, Dave Hilmers, told the astronauts.

Steven Dorfman, chief of Hughes Communications Inc., which owns the Syncron communications satellite, left open the possibility of a rescue effort on a later shuttle mission but said that, too, could be impractical.

"It would be a complicated mission, more complicated than we tried today," he said. "I think there are possibilities. But it's premature for us to start discussing a rescue mission at this point."

Mr. Dorfman said that Hughes would help cover the National Aeronautics and Space Administration's costs in planning and conducting the rescue attempt.

The satellite failed to turn on after its launch from Discovery on Saturday, a failure for which NASA was not responsible.

The shuttle astronauts did everything asked of them Wednesday to save the satellite, the third in a series leased by the U.S. Navy. The failure of the satellite, which was insured for \$85 million, followed the loss of three satellites last year and prompted renewed concern about rising insurance rates.

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Television, newspapers and movie theaters have been filled with wartime reminiscences. The portrayal of the Allies' role is often belittling, sometimes negative.

By Celeste Bohlen
Washington Post Service

MOSCOW — For more than a year, the Soviet Union has been building up to the celebration of the 40th anniversary of the end of World War II, a key event on its political calendar.

But with the approach of May 9, the day when peace in Europe was announced here in 1945, a diplomatic standoff has developed over whether the Russians' Western Allies of World War II will participate in the event.

The Soviet government has yet to announce just how "Victory Day" will be celebrated in Moscow. Nor has it formally asked the United States, France, Britain or other Western members of the World War II alliance against Hitler to send official delegations.

This has particularly concerned the West Germans, who have been the target of a long-standing Soviet campaign accusing them of "revanchist" ambitions to reunite the two Germanys.

Bona's current allies are also sensitive to the West Germans' concern and want to avoid getting involved in what a Western diplomat called "a German-bashing session" in Moscow on May 9.

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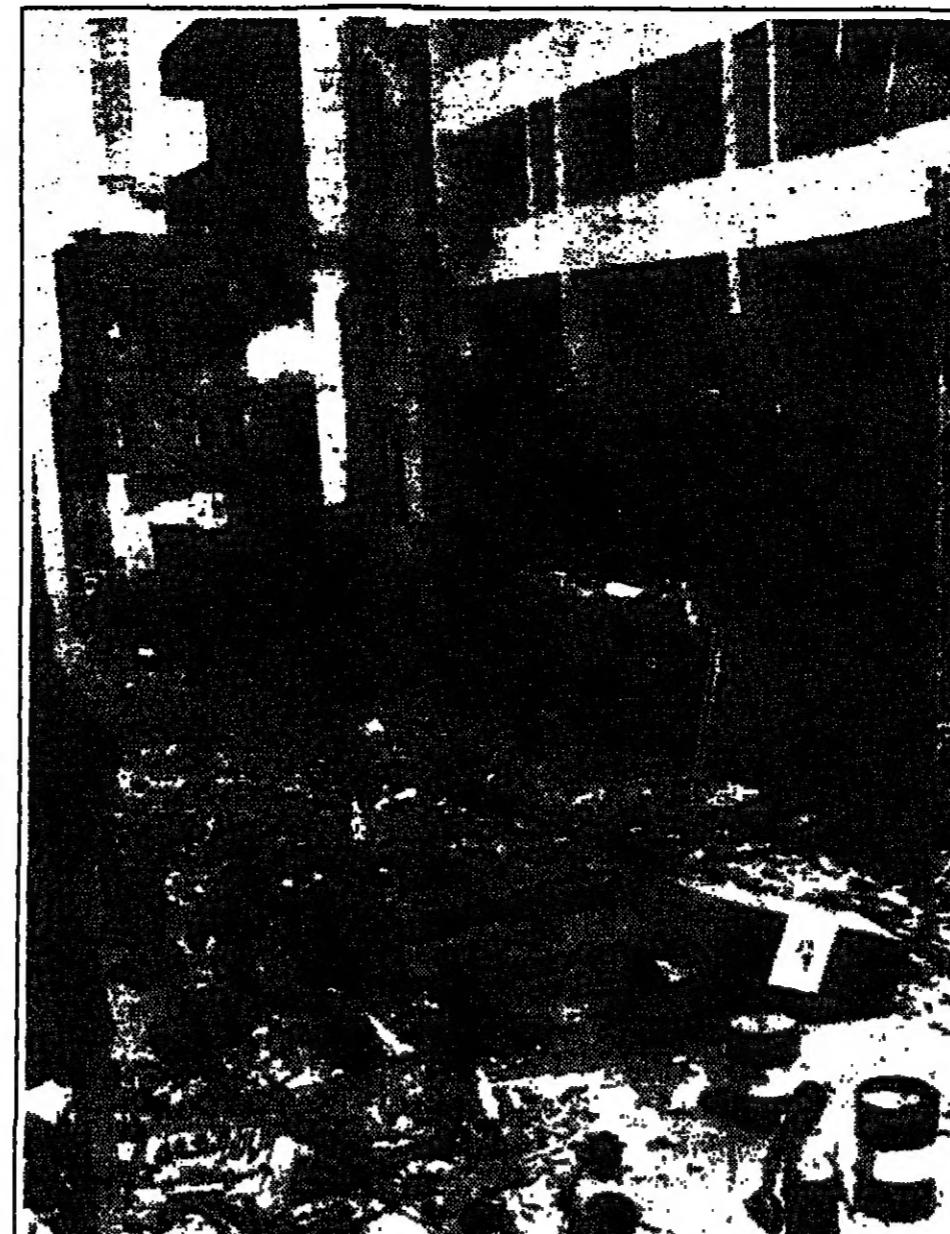
where the U.S. and Soviet armies met on April 25, 1945, is a sign that memories of Allied cooperation are hostage to current politics.

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in retaliation for the killing

of March 24 of a U.S. major at a Soviet military installation in East Germany.

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Shi'ite Moslem gunmen of the Amal militia guarding the shattered headquarters of a rival Sunni militia Wednesday in Beirut. Clashes erupted between the two groups Tuesday.

Peres-Mubarak Meeting Is Planned Next Month, Israeli Officials Say

The Associated Press

CAIRO — Prime Minister Shimon Peres of Israel and President Hosni Mubarak of Egypt plan to meet next month for the first summit meeting between leaders of the two countries since Menachem Begin met with Anwar Sadat in 1981, Israeli government officials said Wednesday.

Avraham Tamir, the director-general of Mr. Peres' office, disclosed plans for the summit meeting as Ezer Weizman, minister without portfolio in the Israeli cabinet, conferred in Cairo with Egypt's foreign minister, Esmar Abdel Meguid.

Mr. Tamir said the agenda would cover "Taba, the return of the Egyptian ambassador" to Israel and "things like that."

Taba is a 250-acre (101-hectare) resort on the Gulf of Aqaba. Israel retained control it after having returned the rest of captured territory in the Sinai to an Islamic organization.

Egypt withdrew its ambassador from Israel in September 1982 to protest the invasion of Lebanon and the slaying of hundreds of Palestinian refugees by Israeli-allied Lebanese militiamen.

Asked whether the summit meeting would include talks on the Palestinian problem, Mr. Tamir said:

"I don't think so because the Palestinian problem still is in Jordan's court now. They have a problem about the representation of Palestinians."

He was referring to Israel's refusal to talk peace with the Palestine Liberation Organization. Israel has said it is willing to negotiate only with Jordan and non-PLO Palestinians.

Mr. Weizman was quoted by Israeli reporters in Cairo as saying the summit meeting would be in May, in Egypt but outside the capital.

■ Murphy Arrives in Cairo

The U.S. assistant secretary of state for Near Eastern and South Asian affairs, Richard W. Murphy, arrived Wednesday in Cairo on the third stop in a Middle East tour to explore prospects for reviving Arab-Israeli peace negotiations, The Associated Press reported.

Mr. Murphy refused to make a statement upon his arrival at Cairo International Airport from Israel. Egyptian officials said the U.S. envoy would confer with President Mubarak later in the day and meet the foreign minister on Thursday during his planned three-day stay.

Mr. Murphy flew to Cairo from Israel, where he met not only with government officials but with a group of 30 Palestinians from the Israeli-occupied territories.

Among other things, Mr. Murphy is believed to be discussing a proposal by Mr. Mubarak for a meeting between U.S. officials and a delegation of Palestinians and Jordanians as a first step toward Arab-Israeli peace talks.

There were also unconfirmed reports that Amal had tried to reopen one of its offices in a predominantly Sunni district.

Palestinian groups, eclipsed by Amal since the Palestine Liberation Organization's evacuation of Beirut after the 1982 Israeli invasion of Lebanon, apparently

do it no harm.

"It can still keep its relations with Vietnam and the bases Vietnam provides," he said. "They keep a clear-headed attitude they can start with."

The basic issue of these three obstacles is that they constitute a danger to China," he said.

Mr. Deng spoke to reporters in a corridor of the Great Hall of the People before meeting Prime Minister Wilfried Martens of Belgium, who is visiting.

A senior Chinese officer said Tuesday in Yunnan province, bordering Vietnam, that 80 percent of Hanoi's 1.2 million-member army was confronting China.

Libyan Expelled by Belgium

BRUSSELS — Belgium expelled a Libyan national Wednesday who was identified as the probable leader of the assassination squad responsible for killing a London policewoman a year ago. "He was considered a public danger in Belgium," a spokesman said.

Scenes from Hong Kong's Jade channel, in California.

(Continued on Page 2, Col. 1)

Karami Resigns Over Clashes by Rival Moslems In West Beirut

The Associated Press

BEIRUT — The coalition government of Prime Minister Rashid Karami resigned Wednesday to protest fighting between rival Sunnis and Shi'ite Moslem militias in West Beirut, Beirut Radio reported.

Nearly 30 people were reportedly killed in a machine-gun and rocket battle that started Tuesday night.

Beirut Radio said Mr. Karami agreed after consultations with President Amine Gemayel to stay on temporarily as head of a caretaker government.

Mr. Karami said in a broadcast after his government fell, "What

U.S. Says Soviet May Overlook 'Attractive Offers' in Geneva

By Joseph Fritchett
International Herald Tribune

PARIS — A senior U.S. arms official voiced concern Wednesday that opportunities for progress in the Geneva arms talks could be missed because of the Soviet leadership's preoccupation with space weaponry.

Edward L. Rowny, President Ronald Reagan's special adviser on arms control, also said Soviet leaders were placing greater priority on domestic problems than on arms control.

He said that "attractive U.S. offers risk being overlooked" in negotiations on intercontinental ballistic missiles and intermediate-range nuclear weapons.

In the Geneva talks the Soviet Union has said that all three sets of discussions — on strategic missiles, European-theater missiles and anti-missile defenses, possibly based in space — must succeed before agreement can be concluded in any of the component talks.

Mr. Rowny's comments marked the first time that a senior U.S. official has publicly aired concern that the Soviet Union will concentrate on trying to block the Strategic Defense Initiative, popularly known as "star wars," and, in effect, ignore opportunities for other arms reductions.

Mr. Rowny, a retired army general who represented the Joint Chiefs of Staff on strategic weapons issues, has been vocally skeptical.

Weinberger Says There Is No Deadline For Allies to Join Research Project

Reuters

WASHINGTON — The U.S. secretary of defense, Caspar W. Weinberger, has written NATO ministers to dispel any suspicion the United States was setting a deadline for them to join in space-based anti-missile research, a defense official said Tuesday.

Mr. Weinberger had told NATO officials March 26 that he would like a decision within 60 days on whether they wanted to cooperate in the research. Some European of-

ficials took that as an ultimatum, and Mr. Weinberger tried to dispel this idea during an April 1 meeting in Washington with West Germany's defense minister, Manfried Wörner.

A second letter, sent to NATO defense ministers last week, sought to end confusion about the 60 days, the Defense Department official said. He said the latest letter urged the allies to respond as soon as possible if they wanted to participate in the program.

Chinese-Language TV Is A Hit in Los Angeles Suburb

(Continued from Page 1)
ese-speaking ethnic Chinese, are eager for Hong Kong programs.

Mr. Ip's company is negotiating with cable systems in San Francisco and San Diego and has set its sights on New York and Chicago.

The company, which has as its chairman Sir Run Run Shaw, the major producer of kung fu films, began to perceive what a fertile market the United States might be when its videotapes of Cantonese series began renting rapidly.

Alan McGlade, programming director for Falcon Communications, noticed that "the Asian and particularly the Chinese population was increasing dramatically in our area." He added, however, that "it was tough to sell" the usual cable television services "to someone who doesn't speak English."

In July, Falcon and TVB, as the Hong Kong company operating Jade channel is called, made a deal to bring Chinese television to communities in eastern Los Angeles, such as Monterey Park.

The channel number, 38, was selected carefully. "In Hong Kong, 3 means longevity and 8 prosperity," Mr. Ip said.

Rowny said, had already been offered and rejected in the Geneva talks before Mr. Gorbachev announced it April 7.

Other U.S. officials have predicted privately that the Soviet Union will save new proposals until fall, when Mr. Reagan and Mr. Gorbachev could meet during the United Nations General Assembly session.

The Soviet missile moratorium expires in November, when the Netherlands must decide whether to deploy U.S. cruise missiles.

Soviet emphasis on stopping the space defense research program is useless, Mr. Rowny said.

"It's impossible to tie progress on arms control to a strategic research program, which is eight to 10 years out," he said. "We want to concentrate on the here and now."

Mr. Rowny said progress toward arms reductions could start if the Soviet Union responded to "important nuances" in the U.S. negotiation position.

He cited the following points:

- On strategic missiles, the United States has dropped its insistence that the Soviet Union reduce its missile arsenal's "throw-weight," which is a technical term that roughly corresponds to the concept of destructive power. The Soviet Union has about a 3-to-1 advantage in throw-weight.

The United States has offered to put a ceiling of 8,000 on air-launched cruise missiles to be deployed if both sides agree to move



AP
Edward L. Rowny

to the U.S.-proposed cutback in strategic nuclear warheads to 5,000 each.

The Soviet Union has slightly more than 7,500 of these warheads, the United States slightly fewer.

On intermediate-range missiles in Europe, the United States would agree conditionally to a congressional delegation, headed by the speaker of the House, Thomas P. O'Neill Jr., reported to President Ronald Reagan on its April 10 meeting in Moscow with the Soviet leader, Mikhail S. Gorbachev.

While sticking to the formal U.S. demand for equal global numbers of intermediate-range weapons, the United States would undertake "not to exercise its entitlement" provided the Soviet Union destroyed some SS-20s and did not simply shift missiles to Asia.

The United States has offered to put a ceiling of 8,000 on air-launched cruise missiles to be deployed if both sides agree to move

Soviet Bans Use of Force After Death Of U.S. Major

By Walter Pincus
and Don Oberdorfer
Washington Post Service

WASHINGTON — More than three weeks after a Soviet sentry shot to death a U.S. Army major, the Soviet Union has agreed not to permit "use of force or weapons" against U.S. military liaison personnel in East Germany, the State Department has announced.

The State Department spokesman, Bernard Kalb, said Tuesday that Soviet generals had also agreed to refer to "higher authority" in Moscow the U.S. demand for an apology for the shooting March 24 of Major Arthur D. Nicholson Jr. and compensation for his family.

The department's statement followed a meeting Friday of the top U.S. and Soviet military officers in West and East Germany and came as a congressional delegation, headed by the speaker of the House, Thomas P. O'Neill Jr., reported to President Ronald Reagan on its April 10 meeting in Moscow with the Soviet leader, Mikhail S. Gorbachev.

A member of the House delegation, Dan Rostenkowski, Democrat of Illinois, quoted Mr. Gorbachev as saying that a change in the ground rules governing U.S. and Soviet military liaison officers in East and West Germany "could very well be the outcome" of Major Nicholson's death and that "it should never happen again."

State Department officials said additional U.S.-Soviet meetings on the military ground rules were planned.

Members of the congressional delegation said Mr. Gorbachev and other Soviet officials had refused to accept responsibility for the shooting and maintained that the United States was to blame for the major's death.

Mr. O'Neill, Democrat of Massachusetts, in reflecting on the four-hour meeting with Mr. Gorbachev and Tuesday's session with Mr. Reagan, said a summit meeting of the U.S. and Soviet leaders was unavoidable because "both men are committed to it now."

If a meeting occurs this year, Mr. O'Neill said, it is likely to be during or after October. By then, he said, Mr. Gorbachev may be able to consolidate his power in Moscow.

The participants also said that Mr. Gorbachev emphasized the importance of dialogue and peaceful coexistence as practiced in the 1970s, when U.S.-Soviet trade flourished, the congressmen said.

"We have to have the wisdom to find the development of friendliness" between the two nuclear superpowers, Mr. O'Neill quoted the Soviet leader as saying.

Peruvian Candidate Pledges To Bypass IMF Consultations

(Continued from Page 1)

and the astronauts, who had worked long hours to devise a rescue plan and to construct the makeshift tools.

The tools were made by the astronauts out of the plastic covers of the shuttle flight log, a window shade, tubing, tape and other items scavenged from the shuttle's cabin.

After Discovery pulled away from the satellite, controllers gave Colonel Bobko a choice of returning to Earth on Wednesday or staying up until Friday.

Colonel Bobko said he would take more time than the three hours available Wednesday to complete cabin stowage work.

Under the original plan, the flight was to have ended Wednesday, after five days in orbit. Controllers said the attempt to salvage the satellite would add one or two days to the mission. (AP, UPI)

to meet targets for reduction of spending and missed several interest payments.

Mr. Garcia maintained that the system of case-by-case renegotiation of Latin American debts through the IMF had not worked.

"Because of our bad political formation, every one of our countries began a bilateral treatment of the foreign debt," he said.

IMF policies, he said, were "incoherent" because they had been "inherited" from developed countries.

The IMF has been used by the industrialized West, Mr. Garcia added, to force open markets in developing countries for exports.

"We have to reshape the game. Now only the debtors are paying the cost of the world crisis. This debt is an absurd promise of future payment."

"Latin America has to give a common answer," he said. "One country, by itself cannot pay its debt. Only together will we be able to win better conditions in order to pay."

Mr. Garcia said the Reagan administration erred by "seeing Latin America through Central America . . . which is a minor problem" compared with the economic difficulties of South America.

He said that the Nicaraguan revolution was "a very important democratic advance . . . behind which you don't have to see the hand of the Soviet Union, as do some gentlemen of the State Department."

Mr. Garcia acknowledged that there might be limitations on some rights in Nicaragua. But, he said, "you can't demand that from night to day, after decades of dictatorship, that democratic norms be followed in their entirety."

WORLD BRIEFS

Odds Even on U.S. Meltdown by 2005

NEW YORK (NYT) — The chance of a meltdown at a nuclear reactor somewhere in the United States in the next 20 years is almost 50-50, according to the Nuclear Regulatory Commission.

The estimate concerns the chance of a "severe core melt accident," which could be much more serious than the partial core melting at Three Mile Island, near Harrisburg, Pennsylvania, in March 1979 but would probably not cause immediate fatalities, the commission said, and is based on examinations of the likelihood of the failure of enough independent components to cause an accident at "close to two dozen" plants.

The estimate suggests the typical chance of such an accident at a single reactor in a single year at about one in 3,333. If one chance in 3,333 was the industry average, the commission said, "then in a population of 100 reactors operating over a period of 20 years, the crude cumulative probability of such an accident would be 45 percent."

Sudan Offers Trade-Off to Ethiopia

KHARTOUM, Sudan (UPI) — The ruling military council has offered to cut its support for anti-Ethiopian guerrilla groups operating from bases inside Sudan in exchange for withdrawal of Ethiopian backing for Sudanese secessionists, the national news agency said Wednesday.

Major General Faris Abdalla Hosni, a member of the military council that overthrew President Gaafar Nimeiri April 6 in a bloodless coup, told a gathering of army officers in the southern provincial capital of Juba that the council was sending representatives to Ethiopia to discuss the offer.

At least two major anti-Ethiopian guerrilla groups, the Eritrean People's Liberation Front and the Tigre People's Liberation Army, operate from bases in Sudan. The Sudan People's Liberation Army, led by Colonel John Garang, has crippled the southern Sudanese economy from his bases in western Ethiopia.

Reagan Welcomes Algerian President

WASHINGTON (AP) — President Ronald Reagan on Wednesday welcomed President Chadli Bendjedid of Algeria in a symbolic show of appreciation for that country's gradual shift toward a policy of nonalignment after years of close ties with the Soviet bloc.

At a White House ceremony that included full military honors, Mr. Reagan told Colonel Chadli, "We Americans particularly welcome the return of cordial relations which existed in the early days of your independence." Mr. Reagan decided last week to allow Algeria to purchase U.S. weapons for the first time since that country won its independence from France two decades ago.

Mr. Reagan disclosed that an agreement establishing a U.S.-Algerian economic commission would be signed Thursday and that a cultural exchange agreement was also planned. Colonel Chadli said he was bringing a "message of friendship and respect" as he embarked on his first visit to the United States.

AIDS, Brain Disorders Closely Linked

ATLANTA (AP) — At least 60 percent of patients with acquired immune deficiency syndrome, or AIDS, develop severe brain and nervous system disorders, a researcher has found. This is a much higher incidence than previously believed.

The evidence suggests that the AIDS virus is infecting the brain as well as the immune system directly, said Richard Price, a neurologist at the Memorial Sloan-Kettering Cancer Center in New York. He said 121 of the 235 AIDS patients whose cases he examined showed signs of dementia, a progressive loss of memory and language and a gradual slowing of the ability to think and control muscles.

Dr. Price's study was presented Tuesday at an international symposium on AIDS sponsored by the World Health Organization and three U.S. agencies. Another researcher, Carolyn Britton of Columbia-Presbyterian Medical Center in New York, said neurological symptoms may be the first sign of AIDS in as many as 20 percent of patients.

Papandreou Wants Election in June

ATHENS (Reuters) — Prime Minister Andreas Papandreou of Greece announced Wednesday that he would ask that a general election be held in June.

Mr. Papandreou said he would write to President Christos Sartzetakis seeking the election on June 2 or 9. His government's term does not expire until October. If Mr. Sartzetakis agrees to the early elections, parliament will be dissolved early next month.

For the Record

U.S. and Soviet negotiators have been meeting in Helsinki since Monday for talks about stopping the proliferation of nuclear weapons, and will conclude their discussions Thursday, a U.S. official said Wednesday.

A former West German naval officer, Captain Wilhelm Reichenbarg, was sentenced to six years imprisonment Wednesday by a Munich court for spying for East Germany over a period of 14 years. (Reuters)

An Israeli soldier, David Ben-Shalom, 18, was sentenced Wednesday to life imprisonment for killing one person and wounding 10 in a rocket attack on an bus carrying Arabs on Oct. 28, 1984. (Reuters)

U.S. Judge John F. Keenan told the Union Carbide Corp. Tuesday that "as a matter of fundamental human decency," it should make an emergency payment of "\$5 million or \$10 million" to aid the victims of last December's poison gas leak at Bhopal, India. Judge Keenan then asked Union Carbide and the Indian government to submit a plan for relief aid to him by May 8. (WP)

Silatou alwasli "the link"

On February 8th, 200 million people across the Arab world were joined together by words and pictures.

Thanks to a brand new artificial moon, that's the Arabic idiom for satellite.

It's called Arabsat.

It was conceived by Aerospatiale for

22 member countries of the Arabsat organization, founded in 1976.

Arabsat can simultaneously handle

8,000 telephone conversations. Plus

7 television channels.

A special channel allows even the remotest

villages to receive TV broadcasts. Price of admission: a simple, inexpensive antenna.

Arabsat means telecommunications

equal to the demands of the Arab world's

rapidly expanding economies.

It means transmission of knowledge to

people in remote areas.

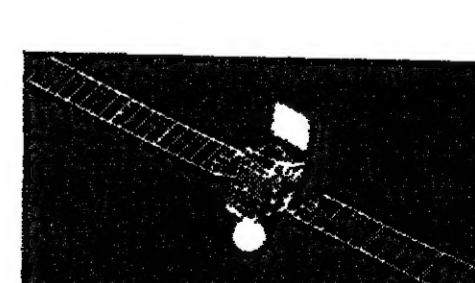
It also means providing the all important

link between the Arab peoples today, and

the 21st century.

Arabsat and Aerospatiale. Partners in

progress.



aerospatiale

DIVISION SYSTEMES BALISTIQUES ET SPATIAUX

B.P. 96 - 78133 Les Mureaux Cedex - France

that's special. that's aerospatiale.

Texans Strive to Make Their Little Piece of Earth a Better Place

By Dale Russakoff
Washington Post Service

some dirt and said, with feeling: "Ah, the good earth."

EARTH, Texas — What on Earth possessed such a speck of town to name itself for something so vast? The people of Earth, a farm community between Plainview and Muleshoe in the Texas panhandle, are accustomed to this question from travelers who also delight in snapping pictures of their city limits sign announcing: Earth Population 1,512.

The story goes that Earth's founding families in the 1920s named it Fairlawn, and then Tulsa, but were overruled by the U.S. Postal Service, which had awarded those names to other towns.

As K.B. Parish tells it, the community got its name after a meeting in which its founding fathers had spent hours trying in vain to find something to call their town. They emerged to find winds blowing so much dust that "it seemed the Earth itself was moving," a farmer said to have remarked.

"So they just decided to call it Earth," said Mr. Parish, a lifelong Earth farmer.

Another version, recounted by Charles Hudson, 76, who writes a column for the local newspaper, holds that the name was chosen when an early settler scooped up



Residents of Earth, Texas, have to endure jokes about the town's name as well as hard times linked to the slump of the farm economy. "Earth is in terrible shape," a man said.

As such, Earth is reeling from the same sagging prices and high interest rates that have convulsed the rest of the farm economy. Conversations at the local diner, where farmers gather in the late afternoon to gossip and talk of hard times, often sound even more somber than they are intended to be.

"Earth is in terrible shape," said

"I feel sure we're the only town in the United States called Earth," she said, suggesting that town leaders could draw more businesses by playing up the name.

It was a little embarrassing on Earth Day last year, she said, when "a big newspaper up North" called to find out what the town was doing for the occasion.

"We were doing nothing," she said. "We didn't even know it was Earth Day."

But the experience raised the town's consciousness, and this year residents declared "Clean Up Earth Days" in March, rallying students, merchants and others to sweep streets and alleys, rake leaves and prune trees.

"Our goal is to make downtown Earth more attractive," said a statement from the town organizers. "If a town never needed cleaning, it's Earth, Texas."

Sponsored by Earth Merchants, a business group, the campaign was called "Loving Earth and letting it show." It apparently was a smashing success but, unfortunately, no big newspapers called Earth to ask about Earth Day this year.

This was a bustling community until 1942, when many men left Earth to fight in World War II. "Earth was at a standstill, but

with the return of the servicemen, Earth began building again," according to "A History of Lamb County."

A newspaper, The Earth Sun, was started. Then came the Earth News, which bought out its competitor. The owners agreed to retain the "Sun" in the masthead. Mrs. Hudson recalled, after townspeople protested that they liked having two heavenly bodies in their newspaper name.

Unconscious punning is a fact of life in Earth. While explaining the origins of the town's name, Mrs. Hudson digressed a bit, then scolded herself: "Oh, I got sidetracked. Back to Earth."

The Earth News-Sun reported a recent drop in local tax collections amid a statewide increase under the headline: "Sales Tax Collections Up; Earth Shows Decline."

The Earth Agricultural Supply company advertises "Making Earth Grow" and the local mortician has been "earring for Earth families," he says, "since 1966."

The Chamber of Commerce implores: "Try Earth First." The local rodeo, a little less unconsciously, calls itself "The Best Little Amateur Rodeo on Earth."

For visitors to Earth, the sendoff is: "Come back to Earth sometime!"

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U.S. Promotes Analyst Who Criticized Disabled

By Keith B. Richburg
Washington Post Service

WASHINGTON — Education Secretary William J. Bennett has come under attack for appointing a special assistant who wrote that the handicapped show "a strange lack of concern" for how the majority of people are affected by regulations created to help the disabled.

His special assistant for educational philosophy and practice, Eileen Marie Gardner, also wrote last year that in philosophical terms, the handicapped are responsible for their condition.

"They falsely assume that the lottery of life has penalized them at random," she wrote. "This is not so. Nothing comes to an individual that he has not, at some point in his development, summoned."

Senator Lowell P. Weicker Jr., Republican of Connecticut, waved a copy Tuesday of a May 1984 article written by Ms. Gardner for the Heritage Foundation. He quoted from a

section that said regulations that deal with the disabled have "probably weakened the quality of teaching and falsely labeled normal children."

"I find this the most incredible thing I've ever read as long as I've been in the U.S. Senate," Mr. Weicker said. "I've never seen such a callousness as long as I have been here in Washington."

He described his efforts to help his son, who was born with Down's syndrome, a disorder also known as mongolism that is characterized by physical abnormality and mental retardation.

In the Heritage article, Ms. Gardner wrote that "the handicapped constituency displays a strange lack of concern for the effects of their regulations upon the welfare of the general population."

Mr. Bennett called Mr. Weicker's attack "character assassination."

He said he had not read the Heritage Foun-

dation report, but that Ms. Gardner's view of the handicapped was "in the respected traditions of theological thought" and represented a "fundamental doctrine of Christian existentialism."

Mr. Bennett later issued a statement calling the controversy "ridiculous."

"She is a person of proven ability in educational reform and improvement," Mr. Bennett said. "She will have no responsibility in the area of handicapped programs."

Ms. Gardner, a consultant in Mr. Bennett's office, was chosen last month to become a special assistant in the Office of Educational Philosophy and Practice that is to be created soon. Her new job does not require Senate confirmation.

Ms. Gardner was unavailable for comment but was quoted in a March 6 edition of Education Daily as saying she would be involved in "setting the tone for the department."

U.S. Plan Would Expand Nicaraguan Rebel Forces

By Hedrick Smith
New York Times Service

expanding the rebel forces was described in the 22-page document marked "top secret" that was delivered by the White House to congressional appropriations committees and later made available to The New York Times.

The document indicated that the administration was moving on two levels. Publicly, negotiations are being cast as the first priority. But the document contended that only the direct pressure brought by expanded rebel forces fighting on Nicaragua's northern and southern borders could force the Sandinists to accept U.S. demands.

Publicly, President Ronald Reagan has given no indication of any plan to expand guerrilla forces. Talking to trade association lobbyists at a White House gathering Tuesday, he accused Congress of being "paralyzed over a mere \$14 million in humanitarian aid."

Previously, Mr. Reagan had said that if the money were approved, humanitarian aid would be provided to the rebels during a 60-day cease-fire. He said it would then be turned to military aid if the Sandinista government did not reach a peace settlement with the rebels in that period.

Reflecting the tough battle expected over the president's request, the Republican leader in the Democratic-controlled House, Robert H. Michel of Illinois, urged Mr. Reagan on Tuesday to be ready to compromise.

[After hearing Mr. Michel, Mr. Reagan issued a blunt warning to Congress against compromise: "A 'yes' vote will signal new hope for peace and a return to the original democratic promise of the Nicaraguan revolution," United Press International reported.]

"If Congress votes 'no,'" the president said, "they will be sending a message of desertion, a clear signal that the greatest democracy on Earth doesn't care if communism snuffs out the freedom of our neighbors and endangers our own security."

The administration objective of

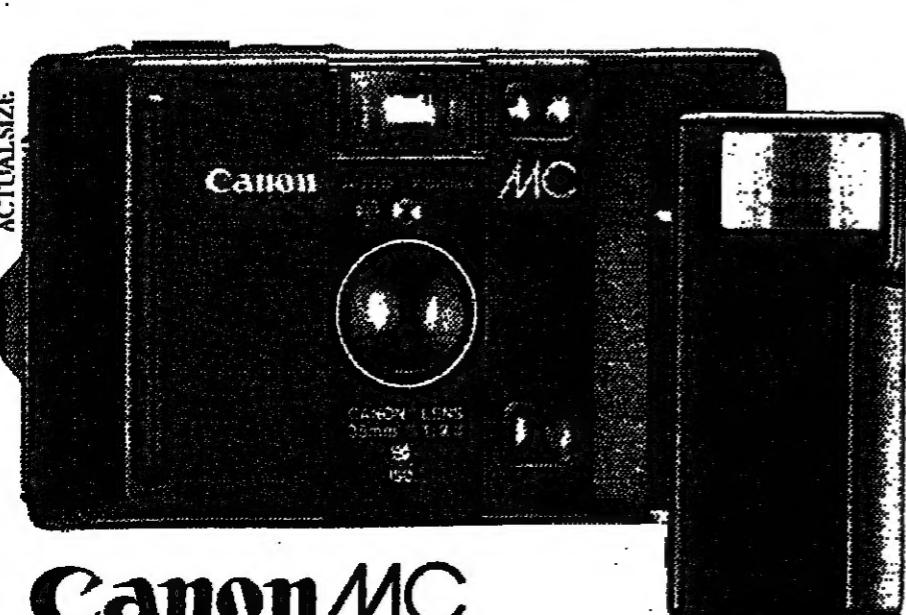
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France	F.F.	1,000	500	250
Germany	D.M.	412	206	115
Great Britain	P.	25	11	5
Greece	Dr.	12,400	6,200	3,600
Iceland	C.I.	104	52	29
Italy	Lira	216,000	108,000	54,000
Luxembourg	L.F.	7,200	3,600	2,000
Netherlands	Fl.	450	225	125
Norway	N.Kr.	1,160	580	300
Portugal	Esc.	11,200	5,600	2,800
Spain	Pes.	12,400	6,200	3,600
Sweden	S.Kr.	1,160	580	300
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Pretoria Says U.S. Acknowledges Reform

The Associated Press

CAPE TOWN — Foreign Minister R.F. Botha said Wednesday that he was pleased with an acknowledgment by the U.S. secretary of state, George P. Shultz, that South Africa is attempting to push ahead with race reform.

Mr. Shultz, speaking Tuesday to the National Press Club in Washington, criticized the slow pace of change in South Africa but generally emphasized "a good measure of progress."

Mr. Botha said that the United States "is displaying an attitude of expecting certain standards from the South African government which are not expected from any other government in Africa."

But the foreign minister said Mr. Shultz made it clear that the U.S. government has "an understanding for the problems" faced by the South African government.

■ Shultz Seeks Policy Support

Don Oberdorfer of The Washington Post reported earlier from Washington:

Mr. Shultz, in his speech Tuesday, declared that South Africa's white government "has crossed a historical divide" toward reform of its racial policies and he appealed to Americans to support the Reagan administration's embattled policy of "constructive engagement."

Mr. Shultz used the address to begin an administration drive to stop passage of legislation ordering U.S. economic sanctions against South Africa because of apartheid, its system of race segregation.

His appeal on South Africa, the most extensive cabinet-level statement on the subject in the Reagan administration, came as pressure for economic sanctions against South Africa increased in Congress.

Senator Edward M. Kennedy, Democrat of Massachusetts, and Senator Lowell P. Weicker Jr., Republican of Connecticut, urged the Senate Banking, Housing and Urban Affairs Committee to approve a four-point compulsory sanctions bill that has extensive congressional support.

Mr. Kennedy, who toured South Africa last January, reported that he found "increasing hostility toward the United States" among blacks, who are taking view that under its current policies, "the United States will be the last country to go down with apartheid" when that system inevitably collapses. Many U.S. companies have large investments in South Africa.

Mr. Shultz charged that U.S. action against South Africa would be "ineffective actions that are more likely to strengthen resistance to

change than strengthen the forces of reform."

He said that "the only course consistent with American values is to engage ourselves as a force for constructive, peaceful change."

"It is not our business to cheer on, from the sidelines, the forces of polarization that could erupt in a race war," he said. "It is not our job to exacerbate hardship, which could lead to the same result."

In arguing that the United States must work constructively with the South African government and the white majority, Mr. Shultz said:

"If we recognize that white opinion holds vital keys to change, then we must also recognize that change must originate in shifts in white politics."

"In this regard, in the past three years, the white government has crossed a historical divide: It has been willing to accept major defections from its own ranks in order to begin to offer a better political, economic and social deal to the nation's black majority."

In a related development, State Department sources said the United States has made strong representations to South Africa against a plan to recognize two interim internal governments in South-West Africa, or Namibia, which South Africa

administers in defiance of the United Nations.

If South Africa recognizes such a government later this week, as is expected, the United States will consider such action "null and void" and without relevance to longstanding international negotiations about Namibia's future, the officials said. Mr. Shultz, in answer to a question, said any such Namibian government would "have no standing."

■ Angola Pullout Completed

South African troops withdraw from southern Angola into Namibia, the territory also known as Namibia, officials said Wednesday. United Press International reported from Johannesburg.

In Cape Town, meanwhile, President Pieter W. Botha met Namibian political leaders to discuss their proposal for a preindependence interim administration, the officials said.

■ More Violence Reported

Officials said Wednesday that South African riot police fired tear gas and rubber bullets when blacks in Uitenhage, in the eastern part of Cape province, threw gasoline bombs and stoned houses, cars and shop during the night, Reuters reported. A black man was found dead.

F

Crossroads Blacks Begin Move to New Settlement

By Richard Bernstein

New York Times Service

CROSSROADS, South Africa — Residents of this sprawling shantytown of tin sheets and packing-crate wood have begun dismantling their homes and preparing to move.

Eventually, South African officials hope, all of the roughly 100,000 people in this camp tolerated illegally near Cape Town will move to Khayelitsha, a place of flattened sand dunes about five miles (eight kilometers) away where 7,000 square cement platforms have been embedded into the ground to accommodate the reconstructed shacks.

And so, on Monday morning, a controlled pandemonium began in this vast and squalid encampment that authorities have been battling to remove for a decade.

Along the main road, the first strip of shacks underwent rapid demolition as residents used crowbars and hammers to pry roofs apart from walls. Within minutes, homes that had provided frail shelter to sometimes more than a dozen persons the night before were reduced to heaps of what would look like debris in the whites-only areas of this country.

The piles, along with cabinets, pots and pans, suitcases, the occasional battered chest of drawers and other possessions were loaded on to government trucks that then rumbled down the dusty road toward Khayelitsha. Within a few days, that desolate expanse is likely to resemble the present Crossroads.

Supervising the procedures are white men holding clipboards who, as each move is completed, enter the coveted stamp granting 18 months of legal residency in each individual's passbook.

The beginning of the controlled migration of poor black squatters from Crossroads to Khayelitsha is the culmination of a long, difficult and sometimes violent process begun a few months ago by the South African government, a process intimately related to the system of racial segregation that requires blacks to have special permits to live near white areas.

As for the residency permits, Mr. Bezuidenhoudt said "the situation will be reviewed" after 18 months. The government has promised that no one will be deported after the permits expire.

The vacated land at Crossroads will be improved for older residents, who are not being asked to leave.

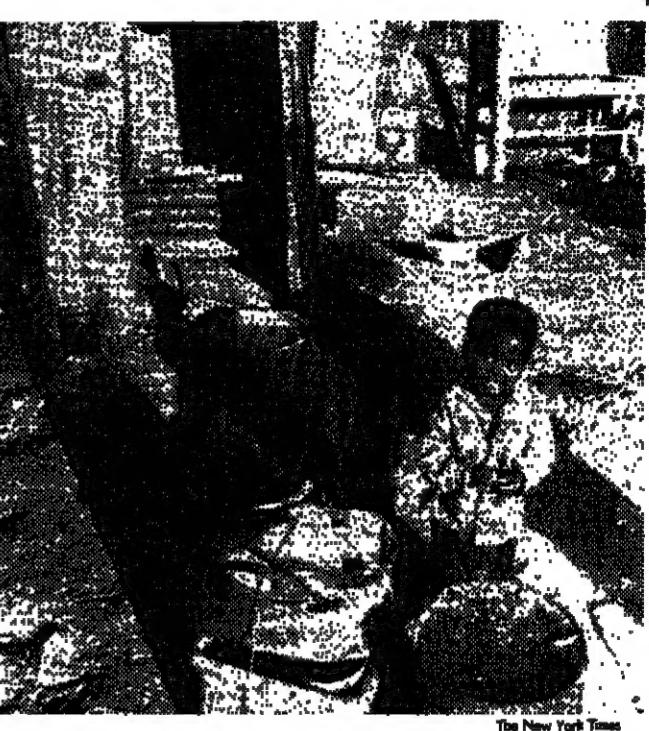
"South Africa is the only place in the world where we negotiate with squatters," Mr. Bezuidenhoudt said. "This is the only country in Africa that is handling its squatter problem by means of a urban renewal policy."

26 Hurt on Train in Rockies

United Press International

GRANBY, Colorado — Amtrak's California Zephyr hit a mudslide, jumped the tracks, and four of its cars plunged into a canyon in the Colorado Rockies, injuring 26 of the 147 people aboard, the authorities said.

Most of the Crossroads inhabitants originally refused to leave.



A child looks after his parents' luggage before being moved from the Crossroads camp to a government-approved site.

UN Protests to Somalia About Exchange Rate

By Iain Guest

International Herald Tribune

GENEVA — The United Nations secretary-general, Javier Pérez de Cuellar, has told the government of Somalia that its use of an unfavorable rate of exchange in its dealings with UN agencies is jeopardizing funding for hundreds of thousands of refugees in the country.

Mr. Pérez de Cuellar's protest, sent March 23 in a personal cable to the Somali president, Mohamed Siad Barre, was rejected four days later by Mr. Siad Barre. The Somali leader replied that if UN agencies were given "favored status" it could "adversely affect" Somalia's economic plane.

The exchange of cables between the UN secretary-general and the International Herald Tribune, was described as "highly unusual" by Western diplomats accredited to the United Nations in Geneva.

Somalia, one of the poorest countries in Africa, is suffering an economic crisis, partly caused by the presence of several hundred thousand refugees from Ethiopia.

The flood of refugees has also resulted in considerable relief assistance to Somalia from Western governments and apparently to the lower rate of 36 shillings to the dollar but that nongovernmental voluntary agencies working in Somalia were receiving the higher rate.

Diplomats said Western donors were likely to reject the Somali move since they interpreted it as an attempt by the government to use emergency aid to gain foreign exchange.

One noted, however, that donor governments did not generally have the same legal agreements on exchange rates as the United Nations did with recipients of aid.

Aid from multilateral agencies and governments accounts for much of Somalia's foreign exchange earnings. According to figures from the Organization for Economic Cooperation and Development, Somalia received \$382 million in development assistance in 1982, almost one-third of its gross national product.

The Somali ambassador to the United Nations in Geneva, Faizus Ismail Bihi, said Tuesday that U.S. delegates had expressed concern to her about the new exchange-rate policy, but she said it was "unfair" that UN agencies and embassies should receive a rate of exchange "not favorable" to Somalia.

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administers in defiance of the United Nations. If South Africa recognizes it, however, the United States will consider such action "null and void" and without relevance, according to international negotiations about Namibia's future, officials said. Mr. Shultz, in a question, said any such a standing.

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More Violence Reported

Officials said Wednesday that South African riot police fired gas and rubber bullets when they were confronted by protesters in Uitenhage, in the eastern part of the Cape province. Three people were killed and several houses, cars and a shop during the night, police reported. A black man was found dead.

In his report, Sir John said, "The terrorist threat still occupies our main efforts and pervades our daily lives; the political impasse and sectarian divisions impinge adversely on our role, and the depressed economic situation exacerbates criminality generally."

He condemned the 44 beatings by guerrilla organizations in 1984 as "a brutal, barbaric contortion of justice involving the use of hurley sticks or baseball bats, sometimes studded with nails."

"Nothing less than broken limbs and battered bodies satisfy the power lust of the paramilitary godfathers who control such activities, despite their hypocritical utterances about justice and fair play."

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Diplomatic sources said United Nations High Commissioner for Refugees and the World Bank's Development Program are considering suspending some grants if the Somali government insisted on its position. The diplomats added, however, that any decision of emergency, drugs or let refugees would only be a last resort.

The UN secretary-general said the Somali government appeared to be violating a 1976 agreement between the world bank and Somalia that UN funds were to be converted into salaries at the most favorable exchange rate.

Mr. Perez de Cuellar said that no other country sought to have the United Nations accept an unfavorable exchange rate as Somalia was doing.

A Western diplomat said that development assistance from donor governments also apparently would be subject to a lower rate of 36 shillings per dollar but that non-governmental agencies working in Somalia were receiving the higher rate.

Diplomats said Western governments were likely to repeat the move since they interpreted the attempt by the government to emergency aid to gain large changes.

One noted, however, that governments did not generally accept the same legal agreement to change rates as the United Nations did with recipients of aid.

Aid from multilateral agencies and governments accounts for much of Somalia's foreign exchange earnings. According to the Organization for Economic Cooperation and Development, Somalia received \$1.2 million in development assistance in 1982, almost one-third gross national product.

The Somali ambassador to the United Nations in Geneva, Isak Bini, said Tuesday his delegates had expressed concern about the new exchange policy, but she said it was "not favorable" to Somalia.

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21:30 DAVIS CUP TRAX
22:30 SKY 100

Terrorism In Northern Ireland Hits 10-Year Low

The Associated Press

BELFAST — Terrorism in Northern Ireland fell last year to its lowest level in more than a decade, the province's police chief said in his annual report published Tuesday.

Sir John Hermon, chief constable of the Royal Ulster Constabulary, wrote that while "significant progress has been made, the situation is still unacceptable."

Sixty-four people, including nine policemen, were killed during 1984; that was the lowest number since 1972, when 467 people died. In all other respects, 1984 was the least violent year since 1970, Sir John said.

Northern Ireland has suffered violence involving Roman Catholic and Protestant paramilitary groups. The minority Roman Catholics seek to unite the province with the Irish Republic, while the majority Protestants want to remain under British rule.

In his report, Sir John said, "The terrorist threat still occupies our main efforts and pervades our daily lives; the political impasse and sectarian divisions impinge adversely on our role, and the depressed economic situation exacerbates criminality generally."

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"Nothing less than broken limbs and battered bodies satisfy the power lust of the paramilitary godfathers who control such activities, despite their hypocritical utterances about justice and fair play."



BORDER SWEEP — East German soldiers with mine detectors sweep the "death strip" near the West Ger-

man town of Coburg in northern Bavaria. East Germany is deactivating the mines and erecting new fences.

France Joins Call for Radical Change at UNESCO

Reuters

PARIS — France has joined other Western nations in calling for a radical overhaul of UNESCO amid controversy over the resignation of the agency's deputy director-general, Gerard Bolla.

The French minister for external relations, Roland Dumas, called Tuesday on the United Nations Educational, Scientific and Cultural Organization to implement swift reforms and to avoid political debate.

Washington had accused UNESCO of anti-Western bias, mismanagement and overpoliticization.

Mr. Dumas's plea for change occurred as Mr. Bolla, UNESCO's chief spokesman, said he was resigning after a disagreement with the director-general, Amadou Mahat M'Bow, over his contract.

Mr. Bolla, a Swiss national, said it was France's stiffest rebuke to UNESCO. When the United States withdrew from the agency in December, depriving it of 25 percent of its budget, France offered \$2 million to help make up the shortage.

Western diplomats said Mr. Bolla's role in a committee on reforms caused problems with the Senegalese director-general. The committee was to meet

Wednesday ahead of the executive board session next month. UNESCO's general conference is scheduled for Sofia in October.

As well as looking at changes demanded by Western members, the meeting next month is due to take up the problem of the budget shortage caused by the U.S. withdrawal.

Britain and Singapore have said they intend to leave UNESCO at the end of this year unless there is significant reform. West Germany, Japan and the Netherlands have also voiced objections to its policies.

French Communists Assail New Law

Reuters

PARIS — The French Communist Party, once the junior partner in government with President François Mitterrand's Socialist Party, has launched its strongest attack yet on its former allies.

The party's political bureau denounced the Socialists for adopting a form of proportional representation for parliamentary elections in 1986 that is likely to hurt minority parties like the Communists.

The Communists took part in the "union of the left" that swept the right out of office in the 1981 presidential elections and the parliamentary elections that followed.

But the Communists, who had four ministers in the government of Prime Minister Pierre Mauroy, withdrew in July because of disagreements with the Socialists on economic and social policies.

The Communists, statement issued Tuesday, said: "The situation is not getting any better. Millions

of French people live a poor life." It said disastrous economic and social policies were now coupled with an attack on democracy.

"The electoral law for 1986 is marked by its capacity to weaken the Communist Party while favoring the old-style political groupings," the statement said.

Political analysts say the new system will have the effect of en-

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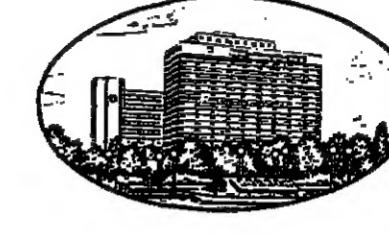
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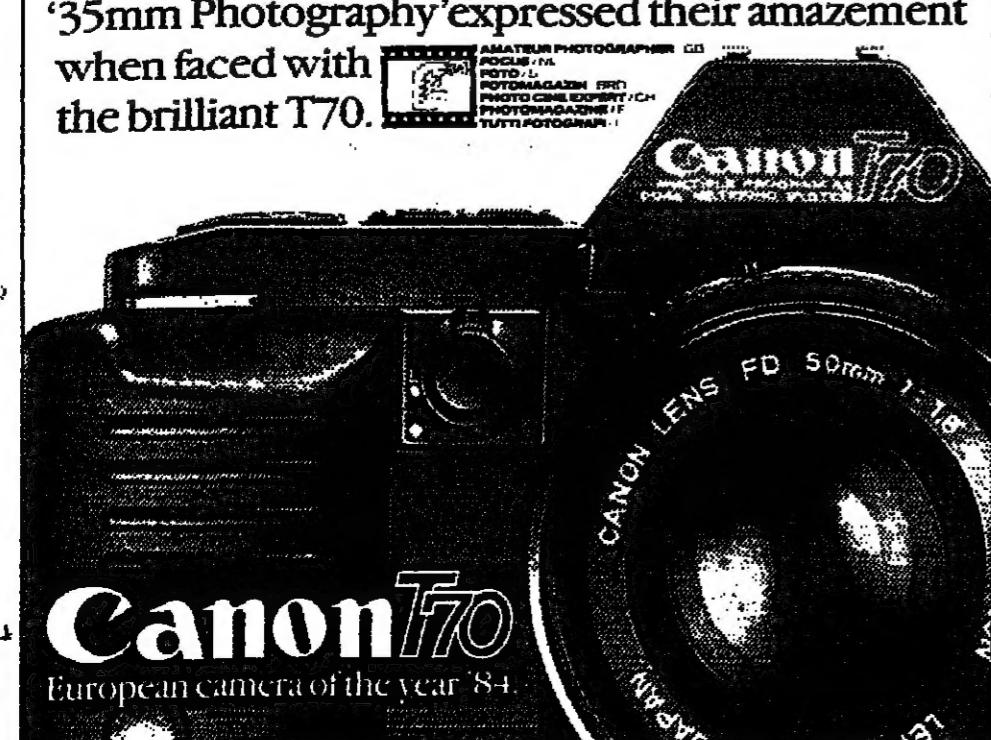


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PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Aid and Family Planning

Conservative groups opposed to family planning have turned their fire on the administrator of the U.S. Agency for International Development, Peter McPherson. What they are trying to do is block humanitarian assistance to some of the world's neediest people. In a recent meeting with Mr. McPherson, the Stanton Group, a coalition of about 40 conservative groups, denounced continued U.S. support for United Nations population aid programs. Following up on complaints to the president by Senator Jesse Helms, Representative Jack Kemp and others, spokesmen for the coalition charged that Mr. McPherson ignored an amendment passed by Congress last fall when he released part of a U.S. grant to the UN Fund for Population Activities.

But the legislation in question was specifically drafted, after a thorough House debate, to allow continued U.S. grants to the UNFPA. The language only prohibits granting money directly to organizations or countries that support coerced abortion. The UNFPA does not support voluntary abortions, much less coerced ones, but conservatives argue that the organization is tainted because it gives several million dollars to China for other specified purposes. Actually, amendments that could have blocked all commerce with China were specifically rejected in Congress. It earmarked \$46 million for the UNFPA after the debate.

Given this clear directive, Mr. McPherson's

agency had no choice but to release the money. It is probably exceeding its discretion in withholding \$10 million from the UNFPA to signal its disapproval of reported coercive practices in China. But this nicely does not slow down the conservatives, who have made it increasingly clear that their real target is any form of family planning aid. Recently, Faith Whittlesey, a presidential assistant, wrote Mr. Reagan on behalf of "one of the president's key constituencies" to express disapproval of AID policy giving grants to contractors and agencies that promote "unnatural chemical or mechanical measures" for birth control.

Since U.S. law has long forbidden support for any form of abortion, these "unnatural" methods are nothing but the same forms of birth control used by the great majority of U.S. women of childbearing age. The groups whose cause is being pressed would deny to some of the world's poorest people the ability to determine the number and spacing of their children. That is a choice essential to improving the health and well-being of families and to reducing resort to abortion and infanticide.

This is cruel. But so is the Stanton Group's attempt to end aid to starving people in Ethiopia and Mozambique because they are unfortunate enough to have Marxist governments. To its credit, the Reagan administration has thus far rejected these mean-spirited demands.

—THE WASHINGTON POST.

Honoring German Victims

As he now concedes, President Ronald Reagan has made a mess of his symbolic journey to West Germany next month. But his latest remedy perpetuates the moral confusion. Even if he finally visits a former concentration camp, that would hardly suffice a tribute at a cemetery containing the graves of SS troopers who ran the death camps. The victims and the butchers of Nazism are not equatable.

There is no doubt about Mr. Reagan's sensitivity to the Holocaust; he's been seen crying at evocations of the slaughter of 6 million Jews. There is no doubt, either, about his devotion to the memory of Americans killed by Germans in World War II. Yet when did he so tenaciously resist visiting Dachau and why does he insist even now that Chancellor Helmut Kohl commands his schedule?

The charitable explanation is an inordinate desire not to offend a host. The deeper reason is a lack of comprehension of German attitudes and Mr. Kohl's interpretations of them.

Mr. Reagan said Tuesday that he wants "to use this visit . . . to commemorate not simply the military victory of 40 years ago but the liberation of Europe, the rebirth of German freedom and reconciliation of our countries."

Indeed, for months Mr. Reagan insisted that he would do nothing to burden Germans with their Nazi past. The fixation had two inspirations. One was his regret that Mr. Kohl was excluded from D-Day commemorations in Normandy last year. The other was dismay that the Russians are using the 40th anniversary of V-E Day, May 8, to assail today's German-American alliance as "wartime."

—THE NEW YORK TIMES.

The Dollar Slides, Gently

The dollar's exchange rate has now been sliding downward for six weeks. It has been a rather rapid decline, but it has been orderly and serene. The exchange rate is back roughly where it was late last autumn — still too high, but moving in the right direction.

For this improvement, much of the credit goes to Ohio and the crisis in its Savings and Loans. That was the event that brought the dollar off its perilous high in early March. The rumors of impending failures, and the Ohio governor's dramatic decision to close the state-owned S&Ls, caught the attention of foreign investors and set them to wondering whether they really wanted to keep pouring their money into institutions in the United States.

By pure luck, the Ohio affair was a crisis just the right size. It was sufficiently serious to make money managers a little more cautious about piling up their dollar holdings endlessly. But it did not do much permanent damage. It broke the momentum of a speculative surge into the dollar. But it did not set off a panic, or start the flight from the dollar that has become the nightmare haunting mismanaged foreign accounts in the United States.

As financial earthquakes go, this one was considered to rate low on the Richter scale. Everybody felt the tremors; there was some broken glass but no real structural damage.

Next, the Commerce Department published the first preliminary estimate of the country's economic growth rate in the first quarter of

this year. It turned out to be much lower than most investors had expected and warned them that the prospects for profits here might not be quite so certain as they had thought. The dollar kept declining, albeit slowly.

No one knows whether it will keep going down or, once again, reverse itself. The rate is being set in the daily trading of currencies throughout the world and no authority controls it. The dollar is still substantially overvalued in terms of the goods that Americans buy and sell. If it continues to drop, the effects will depend on timing and the relation to action on the federal budget deficit here in Washington.

If the administration succeeds in reducing the budget deficit and the Treasury no longer needs to borrow at the present gigantic pace, interest rates in the United States will come down and the foreign money bags, looking for high returns, will go elsewhere.

But if the dollar drops while the federal government is still running deficits over \$200 billion a year, the consequences will be unpleasant. A falling dollar will frighten off the foreign investors who have been sending their money here. In the absence of the money that they have been pouring into U.S. credit markets, interest rates here will rise sharply and threaten another severe recession. The financial movements can swing very fast; however, unfortunately, the administration is making only slow progress with the budget.

—THE WASHINGTON POST.

FROM OUR APRIL 18 PAGES, 75 AND 50 YEARS AGO

1910: Governor Killed in China Riot

SHANGHAI — According to the latest advances from Chang-Sha, the city is in flames, the Governor has been killed and his official residence destroyed, and all the officials have fled. The Chinese officials issued a notification to the effect that they were unable to protect foreign life and property. This message was probably the signal for a general exodus. Six thousand troops are at Chang-Sha. A few of these protected the Governor's residence at first, but they subsequently joined the rioters. All foreign-owned buildings and shipping bulks have been destroyed by fire and buildings rented by foreigners have been looted. There have been minor riots at Honkow, and strikes have been declared at the tea factories.

1935: Louisiana Seizes Federal Aid

BATON ROUGE — The Louisiana Legislature virtually declared war against the United States [on April 17] when the Lower House, taking up the threat of Interior Secretary Harold L. Ickes to Senator Huey P. Long's political domination of the state, passed a bill to seize control of all Federal relief money coming to the state. Secretary Ickes threatened to withdraw \$1,800,000 which the Public Works Administration allotted to the New Orleans Sewer and Water Board if Senator Long dissolved it under the dictatorial powers the State Legislature granted him. The Louisiana National Guard is patrolling the Legislative corridors, as Baton Rouge has been under martial law since the anti-Long revolt in January.

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America's Melting Pot Cooks for Too Long

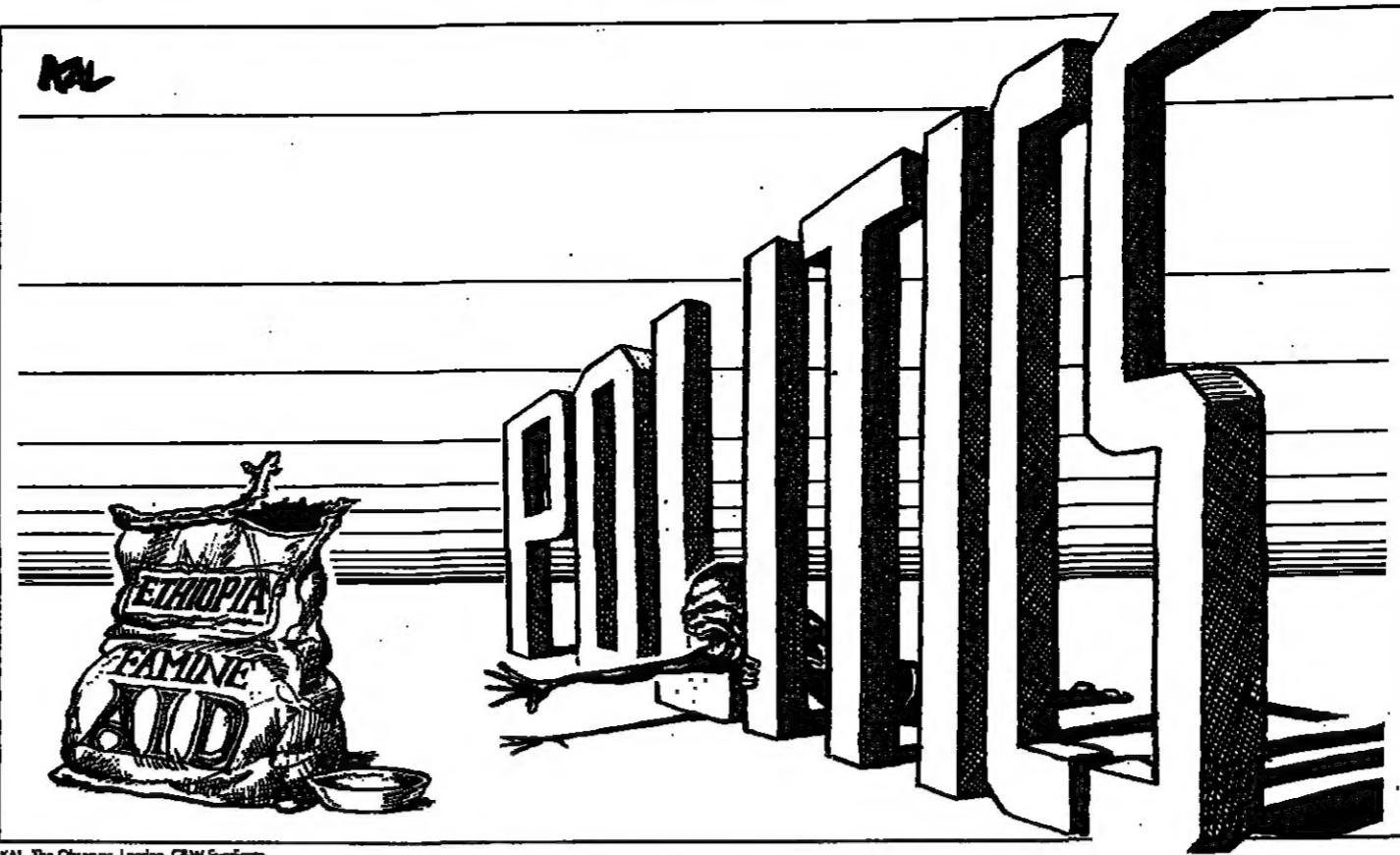
By Benjamin A. Kamen

NEW YORK — During a recent flight down south, the attendant began to give the landing announcements as we closed in on Birmingham, Alabama. Or was it Montgomery, in the same state? I looked on the window as the white lines of the runway came up. It might have been anywhere. Airports all look the same as you land on them. The trouble is that the cities in the United States do, too. Like an advancing fog, sameness is engulfing the country. Stand on a divided highway anywhere. Golden arches and green interstate signs have blurred the differences. Moreover, people in the United States have begun to take comfort in these malaises. Rather than searching for a good piece of apple pie in a tiny store far from home, we seem inevitably drawn to the same french fry sizzles a block and a half from our mailbox. Sleep in Atlanta sleep in Boston: it is the same hotel logo across the parking lot and on your pillow. The mint julep and clam chowder have been watered down by the national \$3.99 luncheon special.

People may sound a little different in the streets of Columbus, Georgia, and Columbus, Ohio. But if you turn on the radio, the disk jockeys in both states have the same voice and inflection. The license plates may read "Ohio" in one shopping mall and "Georgia" in the other, but that is the only difference between malls.

American exurbia has been assimilated by these air-conditioned temples. It is the same 68 stores in Massapequa, Long Island as Ox-

The writer is North American Director of the World Union for Progressive Judaism. He contributed this view to The New York Times.



The Advantages of Going Back to Bretton Woods

By Hobart Rowen

PARIS — No one should accuse the Reagan administration of consistency for saying its "sake." After months of saying a loud "No!" to European demands to do something about the overvalued dollar, the administration, in the person of Treasury Secretary James A. Baker 3d, last week sent out a call for a new international monetary conference.

On March 25, at a breakfast with reporters, President Ronald Reagan had firmly rejected the idea.

This (talk of monetary reform) has come up before in international meetings," Mr. Reagan said. "There are others that look back at Bretton Woods and . . . wonder should we take another look and see if there have been distortions, or whether something better can be worked out."

Yet, in a surprise move 18 days later, Mr. Baker told the 24-nation Organization of Economic Cooperation and Development here that the United States is willing to consider hosting a high-level conference "if it is convinced it would be of value."

To be sure, the idea is a bit vague, and is put forward only to patch, fix or improve the present system, not to overthrow it for something brand-new. Something more radical is proposed by advocates of a full-scale, Bretton Woods-style conference like the first one in 1944 that not only created a monetary system from scratch, but launched the still-existing International Monetary Fund and World Bank. However, Mr. Baker's vista is much narrower.

When the rate of the dollar precipitates a crisis similar to the Depression in the farm economy and makes competitive mincemeat out of highly efficient modern industries, something is wrong.

that were set at Bretton Woods. These began to break down in the 1960s. First, the Vietnam War inflation and then the initial oil price rise in 1973 by members of the Organization of Petroleum Exporting Countries gave the coup de grace to the Bretton Woods system.

Donald T. Regan and decided to act.

"We have no embarrassment in making a shift," White House source said. "In effect, we said, 'Okay guys, if action is needed in this field, we're going to lead it, not you.' The leading economic power is also the leading monetary power."

In his regime as Treasury boss, Mr. Regan had twice come to the brink of a similar proposal. First, the Vietnam War inflation and then the initial oil price rise in 1973 by members of the Organization of Petroleum Exporting Countries gave the coup de grace to the Bretton Woods system.

Mr. Mitterrand has the quaint idea

that Humpy Dumpum can be pasted back together again, and that in a restored world of fixed rates, the franc somehow will be stronger in terms of the dollar. No one else seems

to believe that, but the spectacular

surge of the dollar in recent months

against all currencies has given many

others — not just the French — a

severe case of the jitters. They won't

know what will happen if the dollar

plunges as quickly as it went up?

After Mr. Mitterrand proposed a Bretton Woods II in 1983, the summit countries chartered a study of the monetary system by the finance ministers of the 11 leading nations. With this report about finished and sensing sober concerns about instability of the monetary system, Mr. Baker concluded White House Chief of Staff

that effect at the annual meeting of the IMF and World Bank in Washington last fall. And this was supposed to take place in Washington this week at regular meetings of the IMF and World Bank policy boards. But as an IMF source said after Mr. Baker's initiative: "Everybody's forgotten about Regan's proposal."

There are many ways in which the IMF and the World Bank can be strengthened to become better managers of the world's monetary and debt systems, provided the major nations allow these international bodies to share their political power. It means a more attentive and sympathetic ear to the economic and financial requirements of the Third World.

This may be too much to ask of mortal national politicians. But it is worth a try. I am not sure that this is precisely what Messrs. Reagan, Baker and Regan have in mind.

But a process has been started and it could evolve into something constructive. Looking at it just from an American perspective, when the rate of the dollar precipitates a depression-like crisis in the farm economy, and makes competitive mincemeat out of highly efficient modern industries, something is wrong.

Doubtless should be able to tell quickly whether Mr. Baker's initiative was merely a ploy to sidetrack the French, or whether the administration means business. Perhaps complaints about the dollar from well-placed Republican businessmen are beginning to pay off.

The Washington Post

answer went to the heart of totalitarianism: "If you had come here during those years and asked about Grenada I would not have told you about the truth. I would have told you in yesterday's truth."

The same holds true today in Nicaragua. The Sandinists are doing their best to terrorize their own people and their neighbors. Nicaraguan support for the guerrilla war against President José Nicanor Duarte's democratic government in El Salvador is well known, but the Sandinists' campaign against democratic Costa Rica is rarely reported.

In the past few months, the Costa Ricans have uncovered a new level of organized crime. A "mafia" was created by people who, according to police sources quoted in a local newspaper, appear to have been trained in Cuba, Nicaragua and Libya.

In Nicaragua, uncooperative Indians have been uprooted by the tens of thousands, church leaders and businesspeople have been intimidated and the Jewish synagogue in Managua has been fire-bombed.

It is unpleasant to recognize Nicaragua for what it is, because recognition compels us to take action to defend the democratic countries of the region against the Sandinist threat. Yet there is no excuse for a failure to understand Nicaragua: Grenada provides a thoroughly documented model. Those who vote to deprive President Reagan of the means to bring pressure against the Sandinists will have to explain why they refused to learn.

As the two immigrant Poles discovered, we can learn a lot about Nicaragua by studying Grenada. The Grenadians imported Cuban and Nicaraguan experts on religion to help subvert the Christian churches on the island. The Cubans brought manuals on "scientific atheism," while the Nicaraguans brought experts on the creation of "people's churches" to replace the island's traditional religious institutions.

Nicaraguans also came to teach how to cheat the International Monetary Fund by keeping two sets of books. And Grenada worked with Nicaragua to subvert democratic socialist ideas in the region through a clandestine Cuban-run regional caucus.

So the working relationship between the two countries was an unnatural one. And Grenada's relationship to the Soviet Union was clarified by Marshal Nikolai Ogarkov's statement to the Grenadian chief of staff that "a few years ago all we had in your part of the world was Cuba; now we have you, Nicaragua, and a war going on in Salvador." Still, I have not seen any of the self-proclaimed experts on Central America racing to study the Grenada documents, where Marshal Ogarkov's statement can be found.

This is a shame, because when we will be the same, only more so. For Grenada is a tiny island of about 100,000 people; Nicaragua is a nation of 2.8 million. When we learn of a conversation with the Soviet foreign minister, Andrei A. Grinko, to the effect that Maurice Bishop had spent about \$300,000 in a little more than a year to support subversive movements in the Caribbean, we can reasonably conclude that Nicaragua has been spent many times that figure.

I was recently in Grenada, and spoke with many people about the four years of the People's Revolutionary Government. I asked them all why they thought that so few people outside Grenada realized what was going on there. The most common

LETTERS TO THE EDITOR

Vietnam: Once Burned...

Regarding "Vietnam Taught a Lesson That Some Failed to Learn" (April 9) by George W. Ball:

No one can argue with the former undersecretary in his retrospective views of horror and waste in Vietnam. However, when a future conflict shows signs of developing, Mr. Ball should not wait for national consensus to develop behind the assumption that the conflict is relevant, or it is supported in the country, or the weather is nice over there.

If the United States adopts a policy of taking no action for any reason (dominics included) except direct

physical aggression on its shores, then it indeed becomes Fortress America — and it had better begin to build the walls of its Maginot Line.

MACK AIKEN MC GUIRE JR.
Abu Dhabi

No Center, But Dynamic

Regarding the report "Self-Confident Dallas Is Advised to Grow Up by Getting Down to Earth" (April 4):

Your condescending report amuses me. It is so typical of the attitudes of those East Coast academics who seriously doubt that intelligent life can exist west of the Rockies. Perhaps instead of making fun of Dallas, the author and the urbanologist might ought to try to learn from it. They just might find that Dallas — and Los Angeles, which also has no center — are far by two of America's most dynamic metropolises, precisely because they refuse to conform to tired

Camp Visit By Reagan Is Wise Plan

By Tom Wicker

NEW YORK — President Ronald Reagan wants to end the "spirit of reconciliation" between the United States and West Germany. That was why, according to his spokesman, the president doesn't plan visiting the former Nazi death camp at Dachau today. Germans "the wrong signal." But that fear, if this week, has nearly overcome him, rather than serving his good intentions.

In fact, the major problem in Reagan's disputed Europe itinerary was not his plan to visit German war cemetery, which provoked Jewish, veterans and other groups in this country. The real take was his earlier decision to visit Dachau. Because he is to visit the site of a concentration camp, as yet unnamed, there are no grounds for complaint about a cemetery visit than Germans have if Chancellor Helmut Kohl to lay a wreath at Arlington.

The strongest reason why Reagan should visit a camp site is that "spirit of reconciliation" president rightly wants to focus, finally, when he pictured his decision not to visit a concentration camp, he indirectly, and inadvertently, suggested that Germans are collectively guilty of the Holocaust that Dachau and resonant names — Auschwitz, Treblinka —

And equally indirectly, Reagan suggested that it is time to name the role of reconciliation, or discreetly overlook the horrors perpetrated in those places.

Neither proposition is the Germans — and not just those too late to participate in Nazis — are not responsible for death camps. And it will be time to forget the camps.

Karsten Voight, a foreign spokesman for the West German Democratic Party, recognized the United States and spontaneously of his and his party's that Mr. Reagan should visit. In his view, such a gesture was "an act of solidarity" with the Voight called "the other Germany."

This other Germany is now democratic republic that rules the ruins of World War II. The Germans who were killed and other camps even had Jews," according to Mr. Voigt, who opposed Hitler, or played no part in the many of whom emigrated to Germany — and those Germans helped defeat Nazism from

Today's federal republic, Voight argued, is a democracy on the foundations of "other Germany." Thus, Dachau or another camp site, as Mr. Reagan originally intended, would close his eyes to history.

Mr. Reagan's visit to a camp also be a powerful act of reverence for the millions of others, including Germans, suffered and perished in these camps.

Mr. Voight pointed out the defeat of Nazi Germany and extermination of the death camps ago this spring also brought the liberation of the "other Germany." And that other German planning and able to bring today's federal Republic into being.

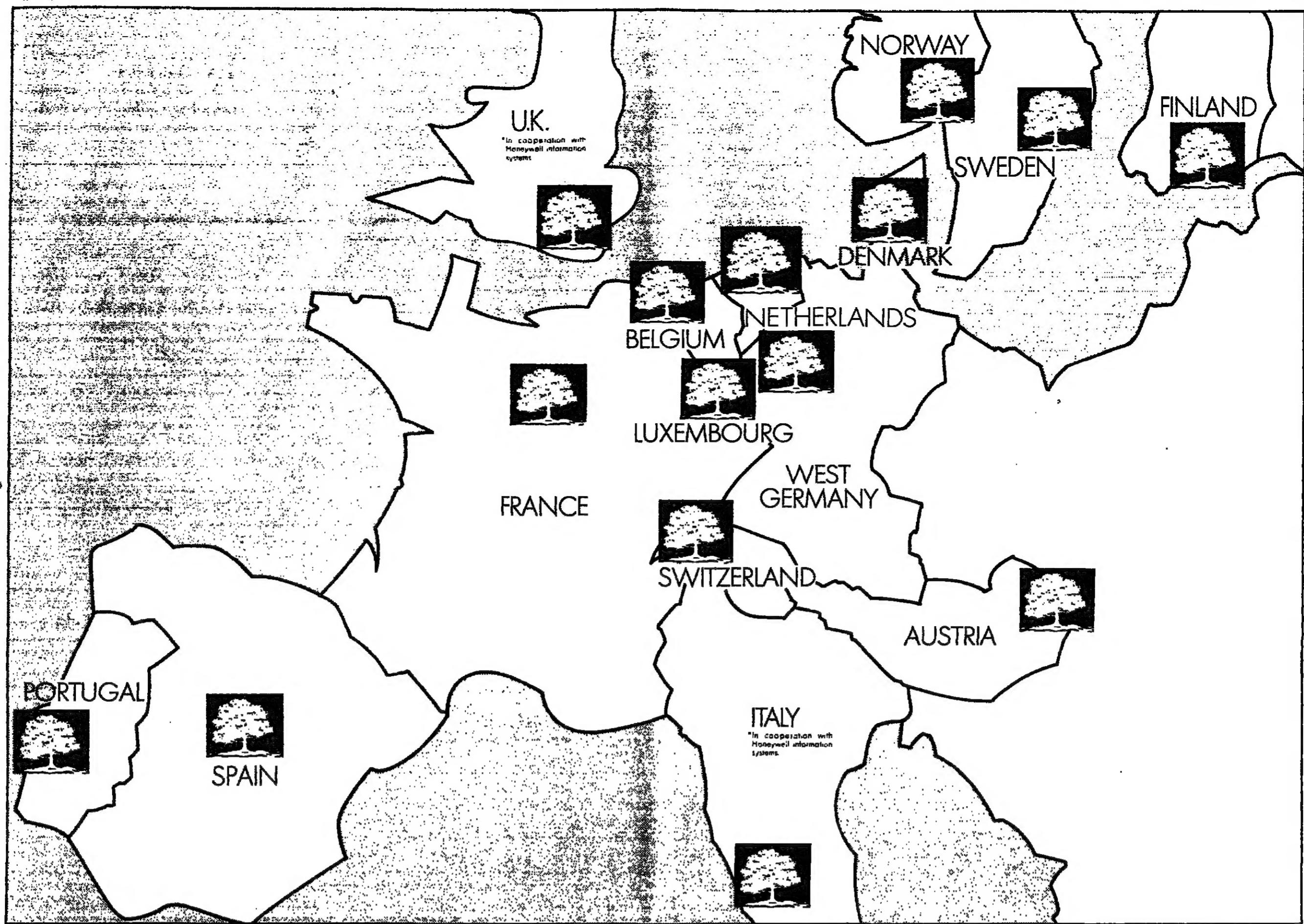
A presidential visit to Europe therefore, symbolizes more than historic liberation.

That may not be a cause to those Americans and others still bear the scars of a past and tend to place the responsibility for it indiscriminately on Germans. And in both West Bonn it may have seemed at first glance, to turn away from that war's past than deliberately to face it.

But Mr. Reagan is an American who has returned to focus on other important matters. His decision to visit a camp site on Tuesday showed Mr. Reagan's communicator who can put a communicative face on tough decisions.

And he could hardly afford a true reconciliation that is a gesture that recognizes as many as a profound offering from the Third Reich. It bolsters the determination of Americans and Germans to countenance the horrors committed in the death camps.

The New York Times



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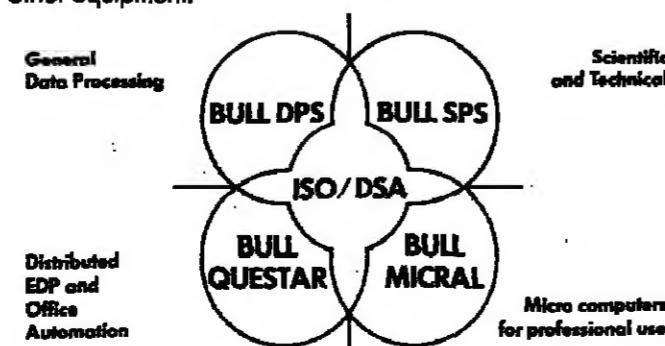
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BULL's commitment to Europe is total. It is involved in 17 projects in the Esprit program, set up by the European Commission to aid international cooperation in information technology, and is taking a leading role in two of them.

One of these, the Esprit Information Exchange System, or EIES, in conjunction with GEC, ICL, Olivetti and Siemens, is a communication network for participants of Esprit. The second project is for the joint development of software engineering with the same group of companies as EIES, plus Nixdorf.

BULL is cooperating with other European companies to develop a unified set of standards. At the instigation of the European Commission, the twelve leading European information technology firms, AEG, BULL, CGE, GEC, ICL, Nixdorf, Olivetti, Philips, Plessey, Siemens, STET, and Thomson have formed the Standards Promotion and Applications Group, SPAG and have agreed on a common set of standards (IOSI) for interconnecting their system. Another agreement involving six major firms (BULL, ICL, Nixdorf, Olivetti, Philips and Siemens) resulted in the formation of the Open Group for Unix System, for developing a common application software environment.

BULL's deep seated commitment to Europe doesn't end there. At the beginning of 1984 the European Computer Research Centre, ECRC, created jointly by BULL, ICL and Siemens, opened its doors in Munich. Its activities are intended to enhance the future competitive ability of the European information technology industry. The centre's field of activity covers the technologies needed to improve the process of machine assisted decision making.

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THE EDITOR

physical aggression on the part of the United States — and it had been — build the walls of its Major cities.

MACK AIKEN McGEE

No Center, But One

Regarding the recent statement Dallas is advancing to the United States — and it had been — build the walls of its Major cities. Your condescending attitude of those East Germans who seriously doubt the present life can exist well in the present life. Perhaps instead of making Dallas the author and the best against he quotes ought to come from it. They just mean it. Dallas — and Los Angeles also has no center — and America's most dynamic cities, precisely because they conform to fixed normative expectations of what a city should be.

THOMAS F. FEE

SCIENCE

Lasers Gauge Changing Interval Between Earth, MoonBy Walter Sullivan
New York Times Service

By bouncing light from a newly developed laser off reflectors left by astronauts on the Moon, astronomers have taken new measurements of the constantly changing distances between the Earth and the Moon.

The scientists said they believed the measurements, across perhaps 230,000 miles of space, were accurate to within an inch, 10 times more accurate than any made in the past.

The astronomers used a special 80-lens telescope at the Mount Haleakala Observatory of the University of Hawaii to receive the short-pulse laser beams.

The measurements, combined with others being made with increasing accuracy from Texas and France, are providing detailed records of day-to-day changes in the rotation of the Earth and the slight wobbles it makes as it spins on its axis. They also record lunar motions caused by subtle gravitational effects arising from the influences of relativity.

By analyzing the new data, scientists expect to gain better understanding of the forces deep within the Earth that set off great earthquakes as well as the variations in the Earth's rotation that have been linked to such devastating effects as El Niño, a cyclical warm-water ocean current that is believed to cause weather anomalies. An improved understanding of such links might open the way to better predictions.

Other methods of determining the distance between the Earth and

the Moon include triangulation, in which angles to a point on the Moon are measured from points on the Earth whose separation is known; and radar, in which radio waves are bounced off the lunar surface. These methods showed that the distance between the center of the Moon and the Earth varied from 221,463 to 238,857 miles.

Bursts of laser light lasting 20 trillionths of a second, the time it takes light to move about two inches, are shot up and strike mirrored reflectors placed amid the dust and rocks of the lunar surface by Neil A. Armstrong and Edwin E. Aldrin Jr. of the Apollo 11 mission in 1969 and by astronauts who followed on Apollos 14 and 15. Similar French-devised mirrors are on the two Lunakhod mobile robots landed on the Moon by the Soviet Union.

The observatory is on the Hawaiian island of Maui, on the summit of a presumably extinct volcano whose giant crater, large enough to hold Manhattan, contains cinder cones and miniature craters forming a black and sulfurous landscape much like that of the Moon.

The laser beam is aimed by a moving mirror that keeps it pointed precisely at the lunar target despite the constantly changing relative position of the observatory and the Moon. The beam's green light is in a part of the spectrum that allows it to pass virtually unimpeded through the air. Nevertheless, the billion-watt pulses are so intense that they leave a trace jabbing through the atmosphere toward the Moon. Under ideal conditions the naked eye can see the returning signal.

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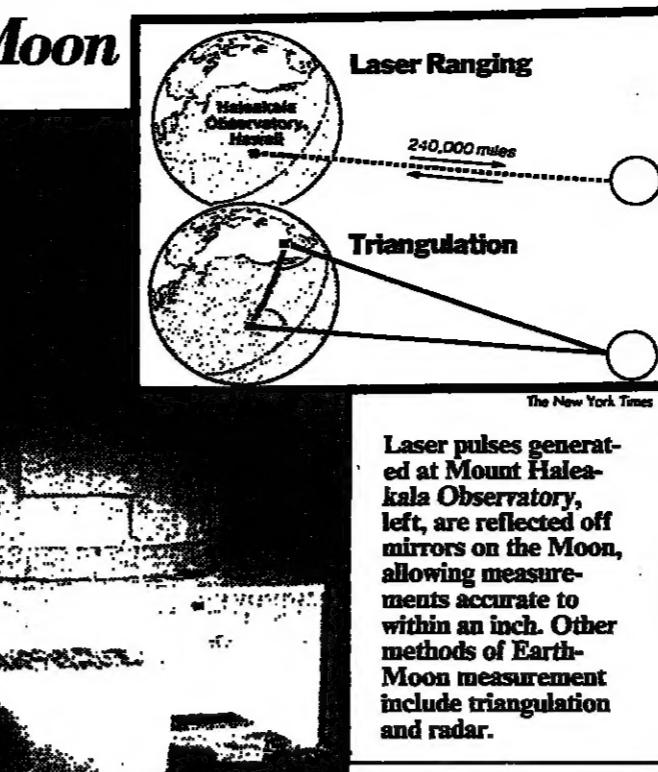
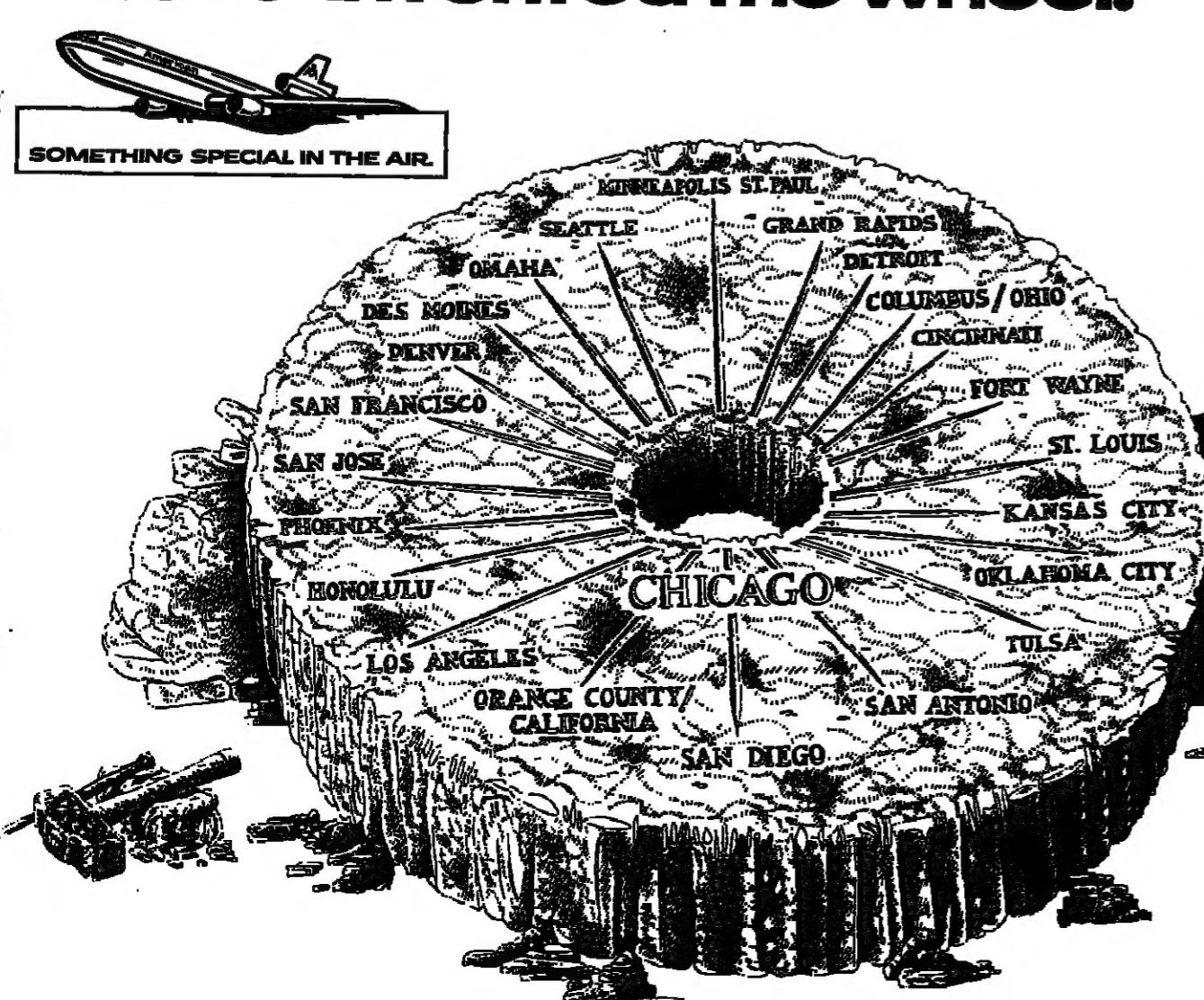
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**IN BRIEF****Insulin-Producing Cells Transplanted**

BOSTON (AP) — With miniature cell transplants, doctors hope to achieve one of medicine's most elusive goals: a way to prevent diabetic blindness and other consequences of diabetes. The experiments are being performed at Washington University in St. Louis and the University of Colorado Health Sciences Center in Denver.

The idea is to replace the insulin-making cells in the pancreas that fail in severe diabetes. If the procedure works, these islet cells will produce insulin naturally and provide the minute-by-minute control of blood sugar that is impossible with insulin injections.

The technique works well in animals, but further refinements are necessary before it can be used widely in people. How long that will take is uncertain, but "there is no doubt that it will eventually work," said Dr. Anthony P. Monaco, chief of organ transplants at New England Deaconess Hospital in Boston, where doctors hope to perform the transplants within two months.

Substances Could Aid in Bone Repair

NEW YORK (UPI) — Two protein-like substances from pulverized cow leg bone could bolster the ability of human bones to repair themselves, a California research company has reported in the Proceedings of the National Academy of Sciences.

Dr. Saeid M. Seyedin and other researchers at Collagen Corp. in Palo Alto said they isolated and purified two similar protein-like substances, called cartilage-inducing factors A and B. In a lab dish, these factors stimulated formation of cartilage precursors in cells that otherwise did not produce that kind of tissue.

"This technology will encourage healthy bone repair where healing might not otherwise have occurred," said a Collagen spokesman.

Japan Honors American Scientist

BOSTON (AP) — Edward Sylvester Morse, who set up a marine biology laboratory in Japan more than a century ago, has been honored in Japan by Shinto priests sprinkling cherry blossoms over a new bronze memorial and schoolgirls playing John Philip Sousa marches, The Boston Globe reports.

Morse, a native of Portland, Maine, established the lab in 1877 on the island of Enoshima, about 20 miles (32 kilometers) south of Tokyo. "He lit the flame of academic study for us," Eishi Kobayashi, chairman of the Japan Zoological Society, was quoted as saying.

Mr. Morse, later director of the Peabody Museum in Salem, Massachusetts, studied at Harvard but left to do research in Japan on sea mollusks in an effort to support the recently published theories of Charles Darwin.

Designer Enzymes Made in California

SAN FRANCISCO (UPI) — Scientists at the University of California, San Francisco, say they believe they are the first to redesign an enzyme to alter its function, which could eventually benefit the chemical and food industries as well as medicine.

"This has been the goal of genetic engineers from the beginning," said Professor Robert Fletterick, chairman of biochemistry and biophysics. He said the feat represented "one of the first steps in custom-designing enzymes to do highly specific tasks with high efficiency."

Last year, several scientists altered enzymes to change their efficiency but did not alter the function. To redesign enzymes, scientists must be able to do both, the researchers said in a report for the journal Science.

Lobsters Key in Mood-Swing Research

BIDDEFORD, Maine (UPI) — Lobsters, known for their aggressive and cannibalistic ways, may hold the key to controlling mood swings of manic-depressive humans, according to a physiologist and a pharmacologist at the University of New England College of Osteopathic Medicine.

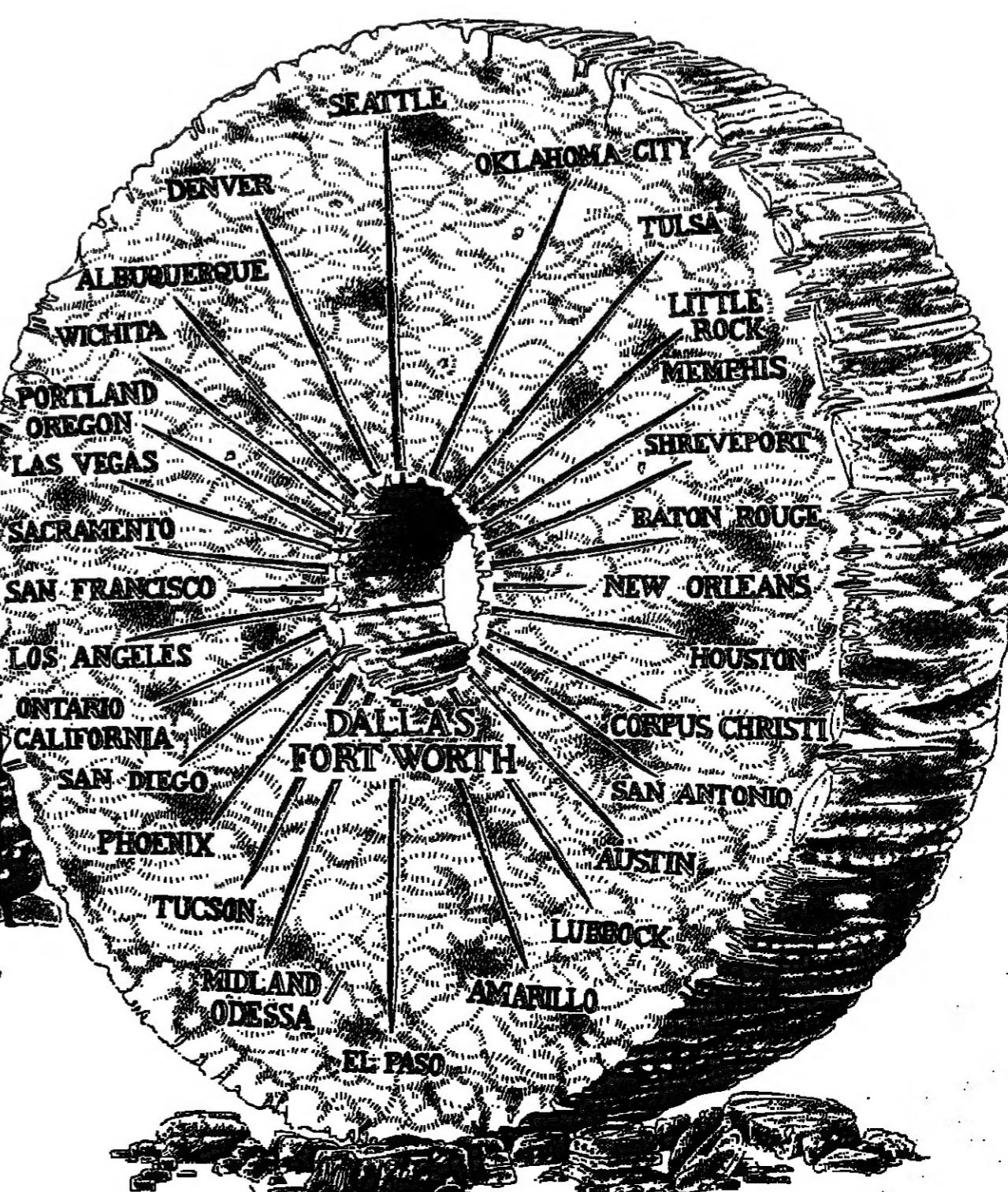
Research on the neuro-hormone serotonin may also have a significant effect on the commercial lobster industry, they said. Serotonin is found in almost all animals, the physiologist, Dr. Carl P. Spirito, said in discussing a paper he and Dr. John T. Earnhardt presented to the American Osteopathic Association.

Serotonin circulates in the lobster's bloodstream, while in humans it is isolated in the brain, Dr. Spirito said. When serotonin is injected into lobsters it appears to cause a "postural change that has been associated with aggressive behavior," Dr. Earnhardt explained in the joint paper.

And now we are adding three more spokes to our wheel. From London and Paris you can fly non-stop to Dallas/Fort Worth. And from Frankfurt you can fly non-stop to both Dallas/Fort Worth and Chicago.

Which means you can get to almost anywhere your business takes you in America on one ticket, with one airline, with just one stop.

Doesn't that sound better than flying around in circles?



KUWAIT

A SPECIAL ECONOMIC REPORT

THURSDAY, APRIL 18, 1985

Page 9

Elections Signal Process of Change Beneath Surface

By Olaf Tohamy

KUWAIT — Kuwait's recent parliamentary elections have shown that active interaction between various political groups is taking place below the crust of Kuwait's rigidly conservative tribal society. These groups are more articulate and down-to-earth than their predecessors, and they seem more determined to bring up sensitive issues with serious implications for Kuwait's future.

Kuwaitis say that their country is the only Gulf state with a parliament and elected representatives. But they differ on the extent to which they would like to see the present political groups develop into Western-style political parties.

Such tendencies exist among influential members of the country's established business community, as well as among the well-educated middle class. But the country's emir, Sheikh Jaber al-Ahmad al-Sabah, made it clear in a speech he delivered at the opening of the new National Assembly that the leadership continues to oppose the licensing of political parties.

The elections held on Feb. 20 after two months of intense campaigning led to the formation of a 50-member body, split between conservatives who support the status quo and advocates of change.

The conservatives are mostly elderly. Many are incumbents who represent their clan. They ran unopposed. The advocates of change are divided among several groups, making agreement to stand as a block in parliament remote.

In the absence of political parties, local analysts differ on classifying the opposition. One Kuwaiti newspaper, the daily Al-Seyassat, said that 11 members belonged to the Arab Nationalists led by Ahmed al-Khatib, and 14 have fundamentalist religious leanings.

The 14-member group, the paper said, is composed of 10 active members and supporters, three Puritans and one representative belonging to the Shiite minority. Observers say that trouble for the government could be expected mostly from those openly belonging to the Moslem Brotherhood, the Puritans and the Shiite Cultural Society.

Most analysts agreed that the fundamentalists trend had lost much of its appeal. Some of its most prominent proponents did not retain their seats in the new parliament.

But the Arab Nationalists regained strength. Their leader, Ahmed al-Khatib, who lost his seat in 1981 elections to a Moslem fanatic, was returned to parliament.

The consensus is that Mr. al-Khatib will be the government's main critic. Although he is portrayed by the local press and colleagues in parliament as a radical, Mr. al-Khatib, who helped to draft the country's constitution in 1962, stands firmly against constitutional amendments proposed in the previous parliament. He strongly supports the Emir's power to prevail over the executive and legislative bodies.



Detail of the roof of Kuwait's new parliament, above, reflects desert tents. Below, eligible male Kuwaiti citizens gather in a tent for an electoral meeting during the two-month campaign for National Assembly elections, which were held on Feb. 20.



Photo: AP Wirephoto

Ample Liquidity Backs Up National Financial Institutions

By Kevin Muchring

KUWAIT — In 1984, the ever-widening repercussions of the Souk al-Manakh crash of more than two years ago finally rippled through the Kuwaiti financial sector.

In addition, the opposition confronted the government on Manakh issues, including the number of insolvent companies, the cost to the government of sustaining a fund to bail out the smaller bankruptcies and the total amount of money it had lost by buying shares of Gulf companies registered on the dissolved stock exchange.

At the inaugural session of the National Assembly, the crown prince and prime minister, Sheikh Saad al-Abdullah al-Sabah, delivered a speech in which he affirmed the need for a comprehensive development plan covering all aspects of the economy. He said that this should be implemented with a specific timetable and would give priority to boosting production.

He said that special attention would be paid to problems affecting youth and housing and he underlined the government's continued commitment to providing free services, including health and education.

into the doubtful category. The year ended with a tough Central Bank posture — substantially higher provisions, a decline in assets and sharply lower published profits and dividends.

With the turn of the year came the illiquidity problems of two smaller financial institutions whose main creditors were the domestic banks. Foreign banks began to make discreet phone calls or sudden visits to pose this or that sensitive question.

But to overstated the damage done or to underestimate the resources at hand would be misleading. The banks still have ample liquidity, as evidenced by the net liability position with the Central Bank, which was reduced by 75 percent to 153 million dinars (\$305 million) in December from midyear — as well as a considerable cushion of capital to work with. Above all, if push comes to shove, there is the certainty of government support.

And even worse, the free-fall in share and real-estate prices since last April shrank the value of collateral held against domestic loans, much of which in turn deteriorated

status with government support in time of need that is less clear.

Hence, the very close attention paid to how the government handled the failures earlier this year of the money-changer operation

The banks still have a considerable cushion of capital to work with ... Above all, if push comes to shove, there is the certainty of government support.

government support through access to the Central Bank's discount window, swap and loan facilities. Their credit standing is, in a sense, as good as the state itself, because at least for the first-tier firms in a state-supervised capitalist economy like Kuwait's, the line demarcating sovereign and private risk is blurred one.

It is the second tier of financial institutions, the investment companies and money changers, whose

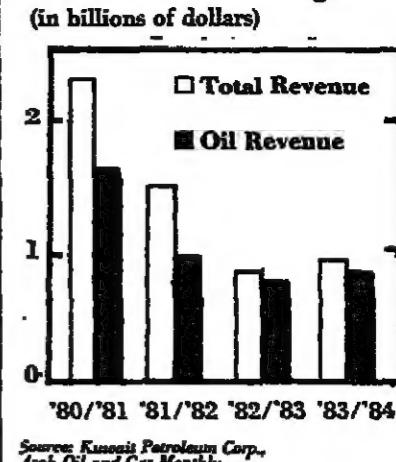
Jawad and Haidar Abulhassan Co., and the investment company, Kuwait Financial Center, and how the government responded.

According to a Central Bank source, government intervention was only to be considered on a case-by-case basis, depending on what it perceived the potential damage to the financial system to be.

In the first instance, the Central Bank not only sent one of its super-

An Oil-Based Budget

(in billions of dollars)



budgeted outlays in the Souk al-Manakh crash.

The government is committed to solving the problem once and for all. The dilemma it faces, however, is sending the right signals to the market. It is in its interest to squeeze outstanding debts into settling — indeed, the new National Assembly is determined that it should — but by holding off, its ability to control events is sharply reduced.

The present crisis has developed in this vacuum. The cumulative effect of a 48-percent drop in official stock prices over the year and a 30-percent to 40-percent fall in real estate values has taken the toll of balance sheets.

The Central Bank's decision to allow companies to extend their fiscal year to June, so giving them more time to regularize their situations, is thought to be merely put-

(Continued on Page 10)

Private Sector Undergoing A Profound Reappraisal

KUWAIT — The Kuwaiti private sector is going through the most profound appraisal and readjustment in its short history, and the results will have a significant bearing on the state's development in the years to come.

Like many of its Gulf neighbors, which have relied on oil to finance their rapid development, Kuwait has faced the anomaly of running a huge state sector while being committed to private enterprise. This was always thought to be an unavoidable consequence of the country's need for a physical and institutional infrastructure that only the state could provide. Once this infrastructure was in place, it was argued, the private sector would assume its rightful place as the focus of economic life.

It has not worked out like that. In the 1970s, the government had a major problem in disbursing oil wealth to ordinary citizens efficiently and effectively. Promoting the private, whether in the form of a taxi driver, a merchant in the souk or a chicken farmer, was considered a good way to spread the wealth and at the same time encourage private enterprise. However, it was done with little thought for the efficiency or economic relevance of the activity concerned.

The Souk al-Manakh stock exchange boom was symptomatic of this lack of economic relevance or logic and of high profit expectations irrespective of the quality of goods or services produced. The revelations exposed by the market's crash have highlighted the trivial role of much private-sector activity, as well as the glaring deficiencies in its financial structure and management.

Now the private sector is being asked to assume its position at center stage at a time when confidence, hurt by the Iran-Iraq war, the recession and the Souk al-Manakh crash, has never been lower.

The dilemma of reviving confidence is compounded by the fact that there is still no clear

consensus as to how Kuwait should develop in the long term.

Should Kuwait try to develop a diversified economy? Or should it lower its sights and exploit its existing skills, expertise and capital by looking for investment outside? This, in effect, would extend the present policy of taking large stakes in big Western companies and move its oil industry downstream into European and other outlets, making Kuwait effectively the headquarters of a large multinational holding company.

The minister of oil and industry, Sheikh Ali al-Khalifa al-Sabah, is believed to favor the former option, which would entail a far lower level of expatriate labor. However, there is a great deal of domestic resistance to the idea of Kuwait becoming a rentier society, living off the income from its foreign investments. The merchants, for their part, want as high a level of economic activity generated within Kuwait as possible because it would bring them more business.

The question is what activities are viable in Kuwait. It is in this context that the current review of stock-market companies that are in trouble is taking place. The task of restructuring them has been made easier because the crash has left the government holding an estimated 70 percent of the quoted shares. At some stage, the government will sell these assets to the private sector.

Amalgamations are the most likely option where there is duplication, especially as it offers the opportunity to weed out weak management. Amalgamations have already taken place in the industrial sector. Kuwait Oil Tanker Co. has taken over Kuwait Shipping Co., which now repairs army vehicles, and Kuwait Petroleum Co. has absorbed the troubled Melamine Industries Co.

The Industrial Bank of Kuwait can be expected

(Continued on Page 10)

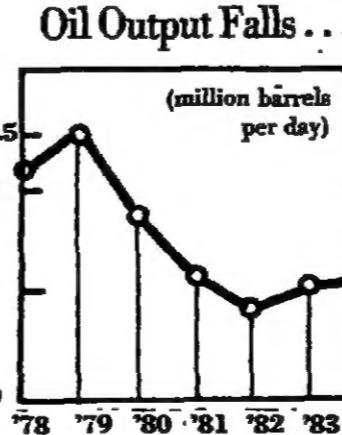
Oil: The Long-Term Cornerstone of Development

KUWAIT — Oil will remain the cornerstone of Kuwait's future economic development, and the country's top source of income for the foreseeable future, as the government continues to exploit the country's vast oil reserves.

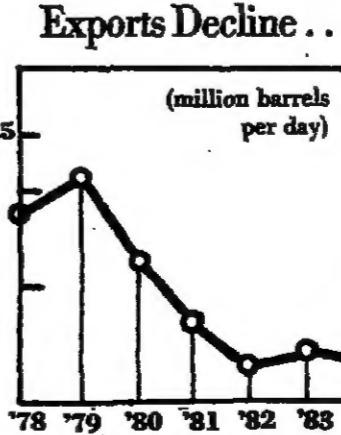
Unlike Saudi Arabia, Kuwait is not embarking on a rapid industrialization drive to diversify its economy. With reserves to last more than 180 years at the present rate of production, and with its oil minister, Sheikh Ali Khalifa al-Sabah, pursuing a worldwide campaign to expand his country's investments in the field, Kuwait seems to be banking on an upswing in demand for oil in the world energy market. Kuwait's oil sector provided more than 90 percent of budgeted revenues — this does not include income from investments overseas — during the 1983-84 fiscal year, and the ratio remains unchanged during the current year, according to the Central Bank of Kuwait.

The oil sector helped offset a fall in the second-largest source of public revenue as earnings from foreign investments dropped by 15 percent. The surge in oil and product sales, accompanied by a sharp decrease in imports, also contributed to a balance-of-trade surplus of 1.2 billion dinars (\$4.1 billion).

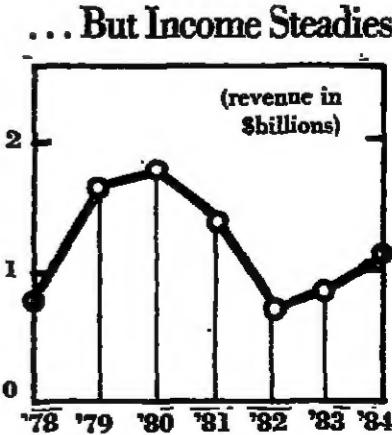
Oil Output Falls ...



Exports Decline ...



... But Income Steadies



The closing financial year's positive results were achieved when Kuwait's output remained around 1.054 million and 1.1 million barrels a day during the second half of 1983 and the first half of 1984 respectively.

The increase, which continued through the fourth quarter of last year, allowed for a boost of local refining facilities, averaging 540,000 barrels a day, with European refineries' output, averaging an additional 100,000 barrels daily.

The ratio of products to crude rose marginally during last year. But since the reduction of output, due to an overall lowering of the Organization of Petroleum Exporting Countries production ceiling at the end of last October to match the

quarter of 1983. It also has succeeded in regaining most of its term-contract customers. And, independent oil industry sources confirmed that its recent spot sales were made at OPEC's approved price of \$27.30 per barrel. In spite of OPEC's production cuts last fall, which weighed more heavily on Kuwait than on other members, Kuwait has benefited from another recent cartel decision — the reduction of price differentials between light and heavy crudes to meet market demand.

This has relieved some of the marketing burden on Kuwait's oil specialists, who are widely acknowledged not to have tried to get around OPEC's rigid and outdated pricing system by offering dis-

counts through barter deals or by providing easier terms of payment over longer periods of time.

However, the fact that product sales, which are not covered by OPEC's pricing system, currently account for almost two-thirds of Kuwait's output and that Kuwait is distributing about 200,000 barrels through its outlets in Europe, mean that the cartel's restrictions hardly affect Kuwait.

Kuwait is a leading OPEC member and one that determines the outcome of the organization's usually stormy sessions, although the country ranks ninth in terms of production among the cartel's 13 members.

— OLFAK TOHAMY

A SPECIAL REPORT ON KUWAIT

For Private Sector, Reappraisal and Readjustment

(Continued From Previous Page)

to play an important role in revamping the industrial sector; already it has plans to revive the insolvent Sanitary Industries.

As for the financial sector, the new minister of finance and economy, Jassim al-Kharafi, intends to support the banks and let them sort out the sector's problems. Nevertheless, there is speculation that the three government-controlled investment companies will be merged. They are Kuwait Investment Co., which added a loss of 27 million dinars in 1984 to the 20-million loss recorded in 1983, Kuwait Foreign Trading, Contracting and Investment Co., and the Kuwait Real Estate Investment Consortium.

For the commerce and construction sectors, the authorities appear to be supporting calls for greater protection, although they are treading gingerly. The new policy of giving local construction companies preference in projects has begun to bite in the last two months, and if a bill currently before the National Assembly is passed, Kuwait will have taken a major step toward protectionism. There have also been calls to increase the tariff protection for nascent industries.

The key question as to the future of the reborn private sector is its attitude to risk and profit following the Souk al-Manakh crash. If the idea persists that the government will be there at the end of the day to bail out speculators, then little will have changed. Expectations of profit have come down dramatically since the crash, but have these expectations come down to a sufficiently realistic level to make the building of a solid professional career a viable proposition for a young Kuwaiti?

The average Kuwaiti graduate with an engineering degree has all the trappings of affluence, including a Porsche and foreign holidays. But he lives at home because on his \$2,400-a-month salary he could never amass sufficient capital to buy even a modest centrally located villa of his own, which even in these depressed times go for \$1 million or more. The Souk al-Manakh was the vehicle with which he acquired capital and, thus, independence. As things now stand, what future is there for him continuing with an engineering career

and never making it on his own without family help?

However, the crash has produced some salutary changes. The Kuwait Chamber of Commerce and Industry report on the recession of February last year gently criticized the part-time nature of much of Kuwaiti management.

The dictatorial approach to business is underscored by the practice of top Kuwaiti businessmen of having three offices and as many jobs.

In private-sector business, and especially in banking boardrooms, meddling was becoming a major source of friction with professional managers. Management cuts have hit mainly at expatriate experts, sometimes to the detriment of the companies concerned, but deadwood Kuwaiti management is also being asked to leave.

Another important development has been the decline, especially after the February elections, of the old merchant families' political clout. This is opening up the power base of the private sector. But instead for the Souk al-Manakh boom was an attempt by new money to break the hold of the old, little has changed. The Kharafis, the Hamads and the al-Chantrys are still sitting on the same real estate.

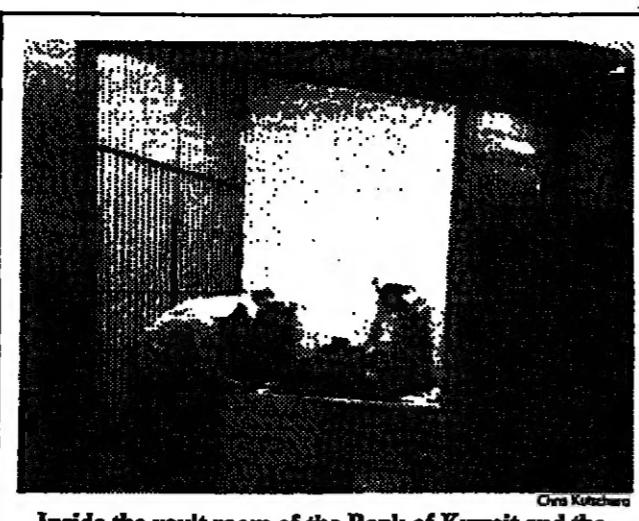
Their assets may be illiquid, but these families are diversified with solid foreign investments and have the staying power to outlast the "new money" that is feeling the squeeze most.

Mr. Kharafi, himself a scion of the Kharafi construction empire, is a strong advocate of the private sector. He envisages an enlarged role for it and is already thinking of privatizing a number of government services. He can be expected to be sympathetic to moves to stimulate confidence and activity. But he cautions, "we will be looking for a return on what we spend."

Assessing the success of his measures means waiting for a stock market recovery, which could be two years away. He faces some major obstacles in making the private sector relevant and competitive.

But the top end of the construction industry has shown it can compete and private investors are again coming forward for industrial ventures. The private sector may be down, but it is not out.

— ALAN MACKIE



Inside the vault room of the Bank of Kuwait and the Middle East.

A Food Supplier Shows An Alternative to Oil

House and Hardee's. It also started up its own Chicken Tikka chain, primarily to cater to the Gulf's large Asian population. Americans now owns and operates 120 restaurants throughout the Middle East.

Americana next went into providing buns to the restaurants from its bakery in Kuwait, and from there to the takeover of a Lebanese confectioner, Samadi, and the making of Arab candies.

In 1983, Americana International linked up with the American supermarket chain Safeway and in June this year is opening a huge supermarket on the edge of Kuwait City, in the Dajee shopping area.

Most Kuwaitis buy their staple foods at cooperative stores. These are set up in each neighborhood by a locally elected council and are restricted in their profit margin to around 10 percent. The Dajee shopping area is outside residential Kuwait, which explains why Americana can open its supermarket.

The company will be selling its own branded goods — meat, including sausages, salami, frankfurters and hamburger — as well as such items as frozen vegetables and dairy products, which it imports in bulk and packages in Kuwait.

Americana has spread its net wider, in particular to Egypt, the largest market of all in the region. Many of its management team are Egyptians and one of Americana's three meat-processing plants is there (the others are in Kuwait itself and in Saudi Arabia). It also has poultry and associated chicken-feed plants in North Yemen and Egypt.

Meat-processing was Americana's first venture. It expanded from there into fast-food chains, picking up the franchises for Wimpy, Kentucky Fried Chicken, Pizza Hut and Sizzler Family Steak

— SARAH SEARIGHT

(Continued From Previous Page)

taking off the evil day. The fear, as one local observer put it, is that "one of the bigger institutions should get into trouble and that it would end up at the banks' doors."

Mr. Kharafi has stressed the government's determination to stand behind the banks and provide them with the means to solve the market's financial problems.

Market sources believe the banks could be under some threat, given the downside potential that still exists on shares and the extreme difficulty in liquidating property. Estimates vary as to the percentage of bad and doubtful debts held by the banks, but one reliable source thinks they could be as much as 1.6 billion dinars of the banks' 4.8 billion dinars of outstanding loans.

The banks' published reserves and equity would only cover half that amount, and the source estimates that their hidden reserves are only

400 million dinars.

The head of the Central Bank's banking supervision department, Sheikh Salem al-Sabah, says that his officers, in going through the banks' accounts, have allowed for all eventualities. "We know the provisions, specific and general," he said. "I'm not worried ... I am completely sure the situation will resolve itself."

The Central Bank is acknowledged to have done an excellent job in going through the banks' accounts.

The fear, much reduced since the government statement,

has been that a crisis could over-

whelm the Central Bank's most conservative accounting and the government's best-laid plans.

Those plans are well developed.

They call for the creation of a mortgage company that would buy the doubtful debts at around 80 percent of their face value with a 1-billion-dinar government cash injection.

Proceeds from the sale of these assets would make up the balance.

The government also

plans to liquidate the 1-billion-dinar aggregate debt of the 30,000 to 40,000 small shareholders locked into worthless closed-company shares.

Government policy has come far more into focus since the publication of the Economic Activation Committee report in December.

The shakeout is seen as a process of "normalization" to moderate sustainable levels of growth after the hectic development of the 1970s.

The dramatic slowdown in public expenditure growth of last year is likely to continue. Overall expenditure fell from the range of 15 percent to 22 percent over the previous three years to 6 percent in 1984.

1985, despite a 2-percent rise in development expenditure.

An undersecretary at the Minis-

try of Planning, Fuad Muhi Husein, says the government wants to avoid fluctuations in development spending and will be aiming to reduce such expenditure in 1985-1986 to the average of the past two

three years, effectively a fall of about 40 million to 60 million dinars to 750 million to 770 million dinars.

A new five-year plan is before the cabinet, reflecting a greater commitment to planning. It will concentrate on human-resources development.

Cheap Imports, Gulf War Cut Industrial Development Plans

By Sarah Searight

KUWAIT — Nonoil industry in Kuwait is down in the dumps these days. It is suffering from imports of cheap mass-produced consumer goods, while the Gulf war has eliminated its large Iraqi market. Moreover, the Souk al-Manakh stock market crash has left the traditionally parsimonious Kuwaitis even more reluctant to invest in the uncertainties of the long-term future, which industrial development looks at.

Often not enough value is added to bulk imports (dairy products, paints and beverages, for instance) to justify the venture. Markets are limited; the Gulf region population, excluding Iraq and Iran, is about 11 million. And not enough attention has been paid to developing good management.

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Is Building Sector Over the Worst Yet?

KUWAIT — There are two schools of thought as to the health and prospects of Kuwait's construction industry.

There are those who think that it has weathered the slump and that conditions will steadily improve as large government contracts prepared during the past few months come up for tendering and begin to percolate work again through the system. And there are those who believe that the industry, far from being over the worst, has yet to face the final phases of the Souk al-Manakh crash and specifically, those companies that placed their advanced payments and spare cash on the unofficial exchange and are only now staying off bankruptcy by delaying debt settlement.

Revival has been slower than many had hoped because the authorities have been painstaking in reviewing their strategy. Many contracts went back to be rethought and tendered. Among these was one of Kuwait's major prestige projects, the \$400-million Mirqab Transportation Center, which has been redesigned at almost half its original cost. Similarly, the Waterfront Project, a grandiose development in five phases that will transform Kuwait's waterfront, has been drastically rescheduled, with the middle phases three and four being shelved.

But many of these revised projects, and others besides, products of the 25-percent increase in project spending sanctioned in the 1984-1985 budget, are coming up to tender. The 76-million-dinar (\$251-million) Conference Center, which will house the 1987 summit of the Islamic Conference, is now under way, with bids being invited for various aspects of the work.

There are also some other big contracts recently awarded or in the pipeline: for hospitals, 150 million dinars worth of roads and infrastructure, a 41-million-dinar telecommunications center, the Al-Ahmar desalination plant and an ancillary 50-million-dinar water distribution and pumping facility. There is also a 122-million-dinar project to build a road-rail bridge linking Doha and Shuwaikh port across Sulabikhah Bay, which will form the first leg of a rail link with Iraq and later with Damman in Saudi Arabia. In addition, the National Housing Authority has 4,000 units under construction and is preparing the infrastructure for 1,500 lots.

It is also about to sign contracts for 1,200 more housing units and is



In the capital, an old mosque in front of a new bank building.

until the huge overhang of private and residential property on the market has been absorbed. That could take many years. However, middle-income residential construction continued in Fintas and Jahra, and there is still some demand for specialized residential and commercial properties.

The long-term demand, particularly for housing from a Kuwaiti population growing at 3.6 percent a year, is undisputed, as is the underlying strength of the top end of the construction sector, which increasingly is finding itself able to compete successfully in regional and overseas markets.

But in between, the going could be very rough. No one doubts that an end to the Iran-Iraq war would create a new situation, but it might not be quite the game everyone is expecting. All agree that there would be a huge demand for goods and services that Kuwait's construction industry would be ideally situated to provide. But the question is whether the oil used today for these services would retain its value.

— ALAN MACKIE

Gulf Conflict Leads to a New Strategy of Defense

KUWAIT — With the war between Iran and Iraq showing no signs of subsiding as it enters its fifth year, Kuwait's foreign policy toward Tehran has shifted its emphasis from conventional diplomacy to a strategy of defense against Iranian threats to its oil installations.

Since the border skirmishes over the disputed marshes between Iraq and Iran erupted into an open war, Kuwait has joined other Gulf states in the region in calling for an end to the fighting while hoping that it would not spill over the border areas nor devolve into a superpower confrontation.

Sharing borders with Iraq and located less than 50 kilometers (31 miles) from the fighting, Kuwait remains an obvious target for retribution from Teheran in the Gulf's tanker war. Iran has warned Saudi Arabia, Kuwait and the other members of the Gulf Cooperation Council — Qatar, Bahrain, Oman and the United Arab Emirates — to stop subsidizing Iraq.

Kuwait's contributions to Iraq in direct financial aid are estimated by Western sources to be one-third of the \$30 billion given by the peninsula's oil-producing states since the war started. Although the rate of disbursement seems to have dropped lately, Kuwait and Saudi Arabia continue to provide Iraq with the returns of oil produced by the offshore

field in the neutral zone located between the two countries. Moreover, Kuwait's ports have provided Iraq with badly needed port facilities.

Kuwait has declared the island of Busyan, the closest Kuwaiti territory to Iran, a restricted military area. The island is a fully equipped naval air base, according to Kuwait's minister of defense, Sheikh Salem al-Sabah, who warned Iran against attacking Busyan.

Regarding Iraq as its front line, Kuwait rallied along with the other Gulf states to extend financial aid to Baghdad to help stem Iran's expansion and — more importantly — to halt the advance of religious fundamentalism.

As their backing for Iraq becomes more open and the pressures of the war increase, Kuwaiti officials seem to be finding it less desirable to try to temper Iran's revolutionary fervor and are more inclined to think in terms of defending their country.

Kuwait is backing its firm stand against threats within and outside its borders with an increasingly sophisticated and better trained army. It has moved to acquire modern hardware and to coordinate its defense with Saudi Arabia. Western sources recently said that Kuwait was seeking ways of integrating its fleet of Hawk ground-to-air missiles

with Saudi AWACS, the airborne warning and control systems. It also has broadened the range of weapons to be used by its armed forces over a short period of time, partly by diversifying its suppliers to include the Soviet Union; and it is raising its number of fighter aircraft to 32 French Mirage F1 fighters.

Kuwait's relations with the two superpowers have varied during the last year, largely reflecting U.S. and Soviet responses to Kuwaiti requests for arms. Kuwait maintains the GCC's view that the region's defense is the responsibility of its member states, and it is firmly against direct U.S. involvement in the event of a protracted Gulf war.

But one source of temporary displeasure with Washington last year was the Reagan administration's rebuff to a Kuwaiti request to buy Stinger missiles.

As a result, Kuwait made a similar request to Moscow. It is the only Gulf state acquiring Soviet arms, in addition to being the only GCC member with full diplomatic relations with the Soviet Union. The same is true for China, and Kuwait lately has moved to develop economic ties with Beijing.

— OLFAK TOHAMY

Real Estate Market Goes From Boom to Bargain Rents

KUWAIT — The commercial area of the center of Kuwait is a dramatic landscape of large tower blocks and even larger cranes hovering over half-finished buildings. Crises of economic woe are not easily reconciled with this scene, until one remembers that the lead time on these buildings is three to four years.

Most were conceived as the peak of the oil boom in 1980. They are being completed in a market that has no need for them, where rents have crashed an average 50 percent in the last year alone.

In 1981 came the height of the Souk al-Manakh speculation. Even the most hard-headed businessman was involved; it provided a spark of excitement and it could not, so everyone assured each other, go wrong. In the Souk al-Manakh building itself, where a physical presence, however small, was needed for share dealing, floor space was being offered at 28,000 dinars (\$92,000) a square meter; a tiny shop changed hands for 9 million dinars.

Such prices inevitably had an impact on adjoining land prices. Some of the real estate in the center of the city was actually registered in the name of semi-fictitious companies traded on the Souk al-Manakh exchange.

In 1982, oil revenues slid downward and the Iran-Iraq war began to make itself felt on Kuwait's re-export business. The downturn in the economy suddenly affected

confidence in Souk al-Manakh. When the crash came in the autumn of 1982, real-estate prices were among the first to be affected.

Now the huge commercial complexes are either half empty (landlords would rather keep them empty because lowering the rates affect the selling price) or rents have been halved.

Many of the cranes are moving out of the commercial area into neighboring Sharq, the direction in which business was destined to expand had the boom continued. Sharq is a good reflection of the real-estate situation today. Older buildings, such as the three white towers of Abraj al-Awadi, although only four years old, are already showing signs of wear and tear in their rents (about 5 to 8 dinars per square meter).

The new blue-glass Sharq Tower, complete with helipad, rents at about 11.5 dinars a square meter, already down from 18 dinars, which was asked initially. And the warning signs are finally being posted: Two 20-story towers at Al-Mashrif nearby have been postponed, while the Khalediyah block, built as offices, has been converted into a department store, the only one in Kuwait.

The fact that rents have halved in a year is only realistic, according to Ziad Taki, chief economist at the National Bank of Kuwait. Rents in 1980-1981 were wildly exaggerated. There are some impressively large projects to come on to the market.

Assets valued at 400 million dinars in 1982 are now put at 270 million dinars. And last year, there was no profit to share with depositors.

There is a housing shortage in Kuwait because the government has promised every Kuwaiti a dwelling and in the past it has interpreted this as an apartment. But no Kuwaiti, of whatever income, wishes to live in the apartments that the government has built to meet its obligations.

A conspicuous example of this refusal is the Sawabir complex, handsome spacious apartments designed for middle- and lower-income Kuwaitis and built by the National Housing Authority. The rent would be subsidized for Kuwaitis, but not for the 40 percent of



The shopping center in the mall inside the Meridien Hotel in Kuwait City.

the population that is not Kuwaiti and cannot afford the apartments. So they remain empty.

City dwellers blame town planners for environmental problems.

Kuwait City was laid out for a higher population growth than has, in fact, occurred. The plan gave the

a good road network, made the most of the coastline and envisaged segregated land uses — commercial, industrial and residential. But zoning regulations have often been disregarded.

— SARAH SEARIGHT

Ample Liquidity Backs Financial Institutions

(Continued From Page 9)
ing operations — but the deal fell through when one of the eight banks refused, sources said.

An agreement of the Kuwait Financial Center is expected to be the less difficult of the two since several of its shareholders, which include members of the ruling Al-Sabah family as well as members of other powerful merchant families — have committed another 5.5 million dinars in fresh capital.

While the commercial banks of the first tier are better positioned to deal with the economic downturn they are, nevertheless, still saddled with sizable doubtful domestic debts that are demanding more and more of management's time to resolve. Local bankers have suggested that these bad debts total as much as 1.5 billion to 2 billion dinars, or about 40 percent of the entire domestic loan commitments of the banks. One bank manager, for instance, conceded that if he applied his American definition of a nonperforming loan to his portfolio, interest that is more than 180 days past due, then at least half would fit the bill.

Largely due to the fall in share prices, borrowers either lack liquidity — or refuse to liquidate foreign assets — to repay their loans to provide additional collateral that may be called for in the "top-up" clauses of their loan agreements.

Likewise, it is difficult, not to mention costly, for a bank to foreclose and sell off whatever collateral is collected because selling in such a thin share and real-estate market would only accelerate the downward pressure of prices and make the collateral worth even less.

The banks are thus finding themselves between a rock and a hard place, and their options are few: basically, to hike up their provisions and, as one banker suggests, "write off the hopeless, and reschedule the wounded but breathing into medium-term, low-yielding credits and hope for the best."

One proposal making the rounds among the banks is to form a new company, capitalized jointly, at least at 1 billion dinars, by the banks and the government, which would buy the bad debts at a steep discount and then negotiate directly with the borrowers on a rescheduling. Another, perhaps more realistic, proposal, since parliament may not be receptive to the first idea, is to establish a management or steering committee representing the banks that would be empowered to negotiate on behalf of all the banks on the terms of any rescheduling. But the risk would re-

main on each individual bank's books.

While the consolidated assets of the banks declined by 4 percent last year to 9.5 billion dinars from a peak of 9.9 billion dinars in 1983, the decrease was due entirely to the decline by nearly a fifth in interest bank activity.

Total domestic and foreign lending investments in fact rose by 9 percent to 6 billion dinars. Reflecting the diversification strategies employed by most of the banks, foreign loans and investments accounted for nearly half the growth, rising by 27 percent during the year to 1 billion dinars while loans to the domestic private sector rose 7 percent to 4.1 billion dinars after registering a slight decline in 1983. Other domestic investments, in the government relief bond issues on behalf of the smaller Souk al-Manakh debtors or commitments to the specialized institutions, accounted for another 931 million dinars.

Unfortunately, deposits only rose half as fast, rising 4 percent during the year to 4.5 billion dinars. Furthermore, there was a fundamental shift out of the more appealing non-interest-bearing demand accounts, which drove up the average cost of funds. Demand or current, deposits steadily declined by 25 percent through the year to 158 million dinars as investors lost interest in the speculative plays in either the real estate or stock markets. Instead, they shifted surplus dinars into foreign-current accounts when the interest rate differential on timer and Eurodollar deposits widened to 4 percent in the spring.

Precariously, it is difficult, not to mention costly, for a bank to foreclose and sell off whatever collateral is collected because selling in such a thin share and real-estate market would only accelerate the downward pressure of prices and make the collateral worth even less.

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While the actual profits were certainly lower in 1983, the banks could have opted still for slightly higher published profits to maintain an image of continued growth, but which of course, would have also meant less provisioning. The Central Bank stressed the latter.

The higher provisions will no

doubt strengthen the banks over the long term. The Central Bank, in effect, removed shareholder pressure on the banks' management — usually their board of directors — to pay out the higher dividends and instead stash away additional provisions against what could be higher write-offs this year.

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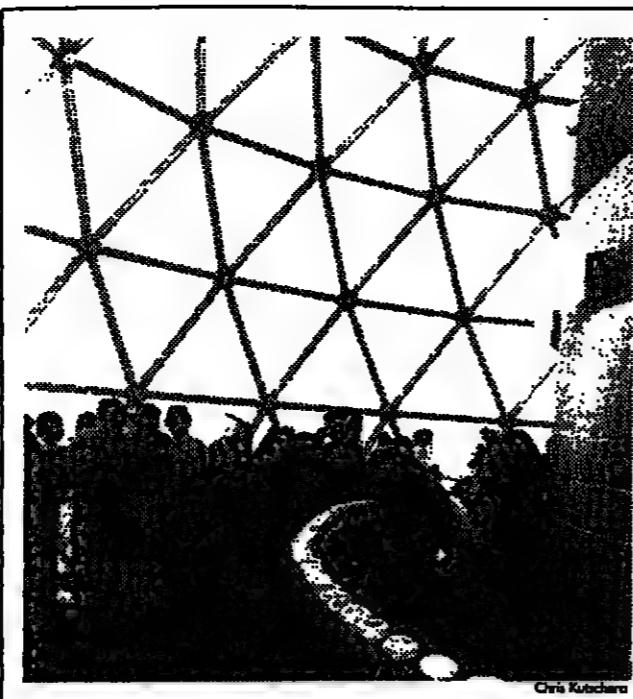
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At Stock Exchange, Prices Mirror Lack Of Confidence

KUWAIT — "The \$64,000 question right now," the young Kuwaiti suggested as he sipped his tea while talking about the recent fall in share prices in Kuwait's stock market, "is how do you break this vicious cycle of falling prices and investor confidence feeding on each other?"

It is perhaps the question being asked by nearly everyone in Kuwait at receptions, dinner parties and at board meetings. In the year since the government ended its costly and ill-conceived price-support program last April, share prices on the official exchanges have on average fallen by more than half, wiping out some 3.7 billion dinars in assets. The freefall has been even worse on the over-the-counter market.

Although perhaps overplayed by the media, the repercussions filtering through the Kuwaiti financial sector are of mounting concern, be-



Chris Kuehner
Visitors in the gallery of Kuwait City Tower.

it the falling value of bank collateral against increasingly shaky loans, or the value of the assets turned over to Souk al-Manakh creditors that were based on valuations last November.

But the crisis has led also to structural changes in Kuwait's stock market that is providing for a far more credible and realistic foundation once, as one Kuwaiti puts it, "the last debris of the speculative fever of the past is cleared from the books." It is on this the optimists — although few, admittedly — are pinning their hopes.

First, a tally of the damage done. Despite the brief rallies in May and again in October, share prices on the official exchange fell last year by an average 43 percent, according to the Securities Group's All Shares Index, which sank to 58.7, from 103 at the end of 1983. Investors have shied away from the market unless desperate for liquidity.

Settlements Near for Market Claims

KUWAIT — The Souk al-Manakh officially ceased to exist last November when all curb-share trading was brought under the control of the official stock exchange. But the crash continues to haunt Kuwait.

The procedures needed to remove its physical effects now have been completed, with the final resolution of the defaulters' debts.

The total assets of those in receivership are put at 1 billion dinars and liabilities have been reduced to 735 million dinars (which suggests that assets still are overvalued). Of these, 471 million dinars were claims by nondefaulters.

The settlement agency has found cash backing for all but 65 million dinars of outstanding claims. Repayments are being phased and categorized. In addition to the 180 million di-

nars the settlement holds in cash, Kuwait's three investment companies and four major real-estate companies are advancing 220 million dinars to underwrite real estate and the Kuwait Foreign Trading, Contracting and Investing Co. is providing 60 million dinars to buy "official" shares.

At the same time, the company has put up another 60 million dinars to purchase Gulf and Kuwait closed company shares, estimated in the total assets at 220 million dinars but realistically at not more than what Kuwait Foreign Trading is prepared to put up for them.

Finally, the banks have provided a contingency fund of 150 million dinars to cover a portion of the 320 million dinars owed by nondefaulters to the receiver.

— ALAN MACKIE

According to statistics from the Central Bank of Kuwait, trading volume on the official exchange fell 84 percent, to a scant 8,387, in the fourth quarter, from 55,043 in the previous fourth quarter. Total trading volume for the year was only 19,804 shares, barely a third of 1983's volume and but a fraction of 1981's peak turnover of nearly a quarter million shares.

In the over-the-counter market, where the Gulf-registered shares formerly traded on the Souk al-Manakh exchange now are listed, the decline was even more steep. According to the index tabulated by Amwal, a financial consultancy and information service, prices fell 75 percent.

The troubles incurred by Kuwait Financial Center and the Jawad and Haidar Y. Abdulhassan and Co. money changers can be directly traced to the whitewash of their domestic share investments, which exceeded their total capital available.

The turn of the year did not bring any more good news. Prices, as measured by the All Share Index, fell at least another 20 percent in the first quarter, bringing the market's capitalization down to about 3.3 billion dinars.

Anwäl, which tends to be among the more pessimistic forecasters, predicts that prices still have room to fall, but not much further simply because holders will not bother to sell at all, regardless of how badly liquidity is needed once prices reach a certain floor.

— KEVIN MUEHRING

Stock Overhangs, Tight Liquidity Curbing Prices

KUWAIT — Business in Kuwait's souk is flat. In the gold market, the most competitive prices in the world will be quoted for fine Italian work, and there are similar bargains to be found elsewhere. The competitiveness is, however, spoty.

Traders still maintain an impulsive disregard for prices when it comes to humble daily items like a dry battery, which can double in price from store to store. But, in general, the large stock overhangs and the tight liquidity are making merchants realize that they can no longer dictate prices the way they used to do.

It is a startling change from just a few years ago, when a Kuwaiti trader would have felt cheated with less than a 100-percent markup.

Many in the merchant community are still recovering from the Souk

al-Manakh crash and from being caught with high stocks when the boom in the Iran-Iraq re-export trade went flat after the Gulf war started. This situation, coupled with the slowdown associated with the unwinding of the development boom, the oil glut and the continuing war, has provoked a state of deep trauma.

The trade statistics, such as they are, tell the story. Because of problems with computerization, no official figures have been published yet for 1984. Estimates for 1983 indicate a 10-percent drop in imports, to 2.15 billion dinars (\$7.1 billion). Non-oil exports, of which re-export accounted for 70 percent in 1982, dropped an estimated 25 percent in 1983, to 377 million dinars. A large part of the fall was due to the drying up of the Iran-Iraq re-export trade.

The main victims of the drop have been sales of consumer durables and electrical goods. Surprisingly, Japan's dominant position in this market has been unaffected by the slump. It is the only one of Kuwait's major trading partners to have maintained not only its market share but also its level of exports in absolute terms. Japan's exports, at around 570 million dinars, now represent more than 25 percent of Kuwait's import bill.

Japan's outstanding success reflects a growing selectivity and cost consciousness on the part of the Kuwaiti consumer. Kuwaitis are not only turning to medium-range Japanese cars in place of American gas guzzlers but are also opting for a Japanese model rather than an American one in the same range because of price. Japan is also making inroads into another traditional

American preserve: air conditioners.

The United States lost second place to West Germany in the import league in 1981 and, according to recent figures published by the Organization for Economic Cooperation and Development, it has now been overtaken by France, which benefited from a rapid buildup of arms sales last year. The United States can still hold its own in certain technical areas like oil and gas equipment sales and services, and there is a solid demand for certain brand-name items as well as a thriving business in automobile spares. But with the dollar approaching record levels, the outlook for most U.S. exporters looks bleak.

Although the overwhelming bulk of Kuwait's imports are from the major non-Communist industrial countries, the Eastern bloc and China are making inroads. Hungary and Bulgaria are an increasingly important source of foodstuffs. China, in particular, has been cultivating Kuwaiti links. A Chinese trade and economic delegation visited Kuwait in December to discuss, among other things, possible joint ventures, and earlier this year, the Kuwaiti minister of oil and industry, Sheikh Ali al-Khalifa al-Sabah, visited Beijing to sign an agreement setting up a tripartite company with Tunisia to manufacture phosphates in China. China is also becoming a source of labor for the local construction industry.

All the indications are that 1984 was as bad as 1983, and 1985 looks like it will be a little better. The recession could last well into 1986, according to the head of the Chamber of Commerce and Industry's research department, Abdell-Aziz Hosni. In his view, a revolution is taking place in the way Kuwait, in line with the rest of the world, is doing trade. He predicts that Kuwait's trade will increasingly follow investments.

There are already signs of this happening. Government departments have been instructed to buy Mercedes-Benz cars for top officials. Since Kuwait has a 14-percent stake in Daimler-Benz, it is hardly a coincidence that the Mercedes has superseded the Cadillac as Kuwait's prestige car.

The government has made various attempts to help the private sector. The subsidy on beef sold in local cooperatives was lifted, sparking a price war with the private sector. A free-trade zone, essential if Kuwait is to realize its potential as an entrepot, is being set up.

— ALAN MACKIE

Reduced Oil Quota Brings Gas Drop

KUWAIT — Kuwait's insufficiency in gas supplies seems unlikely to be resolved in the near future. Officials are hesitating about alternatives, while the petrochemicals industry is suffering the consequences.

Output of associated gas rose by about 25 percent, due to a comparable increase in oil production during the second half of 1983 and the first half of 1984. At that point, oil production averaged 1,100 barrels a day, and measures taken to reduce flaring also helped raise associated gas production.

But with a reduced oil quota of 90,000 barrels a day since last November, Kuwait's natural-gas supplies have dropped to levels that are alarming to the country's power-generation plants and petrochemicals industry, which rely heavily on it as feedstock.

After having experienced similar problems in the past, when the country's oil production fell to almost the same level three years ago, Kuwait's power-generation plants have adapted. These plants have been partly converted to operate with crude oil and heavy fuel oil.

Two recent discoveries made by Kuwait Oil Co., in Kuwait, and Kuwait Petroleum Corp.'s overseas subsidiary, Santa Fe Minerals, in China, seem unlikely to end the shortage.

Kuwait Oil's discovery of the Magwa Field was the result of an extensive exploration drive to find associated gas. The oil output that it can produce when it comes onstream next year will be small; it will begin production at a modest rate of 50,000 barrels a day. Santa Fe's discovery of offshore nonassociated gas reserves in the China Sea, although considered commercial, will not fill the gap in Kuwait's domestic market, oil officials say.

Kuwait Petroleum's deputy chairman, Abdul Razzak Mullu Hussein, said that the high cost of shipping the gas, which would have to be liquefied and would require special tankers and a separate port, would not make it economically viable to ship it to Kuwait. "We would have preferred to find oil in China and gas here," he said.

Top officials at Kuwait Petroleum are hesitant about importing liquefied natural gas. They also seem to have dropped plans for a pipeline to extend from the United Arab Emirates to avoid shipping hazards in the Gulf because of the war between Iran and Iraq. They seem to have totally discarded ideas floated in the past about importing LNG from Algeria.

But they say that the long-term alternative of a network extending from Qatar's rich North Field to cover all countries that are members of the Gulf Cooperation Council, especially Kuwait and Saudi Arabia, has not been discarded.

The project would require a collective GCC decision, as well as massive investments, which its members are not in a position to make at present. A more feasible and closer alternative would be the Southern Gas Field project to extract an offshore field in the neutral zone partitioned by Kuwait and Saudi Arabia. But disagreement between the two countries is hampering the project.

The shortage has had a tangible impact on two costly ventures designed to operate with feedstock. These are the Shuaiba LNG plant, which has one of three trains operating below capacity. The other is a \$1-billion plant designed for export, but currently providing only the domestic market's needs.

The company most affected by the cuts in gas production is Kuwait Petroleum's subsidiary, Petrochemical Industries Co., which has incurred heavy losses lately. Although the drop in its sales revenue last year was marginal, the company's balance sheet shows that its net loss for last year was three times bigger than the previous year, and its total loss was four times as large. Its figure for last year was 9.6 million dinars (about \$29.5 million). The balance sheet incorporates income from PIC's foreign investments or subsidiaries. Last year, the company operated at 61 percent of its production capacity of 1 million tons of ammonia and 792,000 tons of urea annually, including the new ammonia plant, which was completed last year. Its salt and chlorine plants have been operating at half capacity.

In spite of last year's outcome, which was also aggravated by a downturn in world demand for fertilizers, PIC's chairman and managing director, Abdul Baqi al-Nouri, said he believed the gas shortage is temporary. Moreover, he said, commenting on the company's losses and the weakening petrochemicals market, "had we gone ahead with the olefins and aromatics



Chris Kuehner
Soldiers and Kuwaitis gather at an armed forces display on National Day.

Kuwait Petroleum's 24-percent participation in West Germany's top-ranking petrochemicals producer, Hoechst, seems in retrospect to be the most rewarding foreign investment it has made so far in the field in terms of its technical and financial returns. Hoechst has been improving its performance and expanding its worldwide operations lately, and PIC is hoping that it will help it diversify.

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PIC's foreign assets in Bahrain, Turkey and Tunisia, valued at close to \$100 million, have yielded a modest revenue of less than \$1 million last year, according to PIC's financial statement. Out of seven petrochemical and fertilizer plants, in which the company has a direct participation, only one, Turkey's Mediterranean Fertilizer Industries, seems to have produced a dividend last year.

— OLFA TOHAMY

Rising Star in World Oil Lineup

KUWAIT — Kuwait Petroleum Corp. has gone through a year of consolidation, with its downstream expansion slowing as its upstream activities picked up. Its overall growth over the last five years, however, justifies Kuwaiti aspirations for this newcomer to become the eighth of the world's majors, known as the Seven Sisters.

Kuwait Petroleum's other locally registered subsidiary that promises to enhance its international role is Kuwait Foreign Petroleum Exploration Co. Its most important subsidiaries outside Kuwait include, apart from Santa Fe, Kuwait Petroleum International, which is a wholly owned subsidiary entrusted with integrating downstream European acquisitions into the KPC system and streamlining those activities in line with Kuwait Petroleum's policies.

Kuwait Petroleum's technical expertise and impressive marketing capabilities also assure it a place at the top in a market that has witnessed a number of mergers and financial restructuring in major companies.

Although Kuwait Petroleum's acquisition of Santa Fe International Corp. gives it an edge in technological development, its main challenge is to create its own viable base for improvement in the field.

Created in 1980, the company was founded on a number of nationalized companies that now represent its local subsidiaries. These are Kuwait Oil Co., which is responsible for exploration and pro-

duction in Kuwait; Kuwait National Petroleum Co., and Kuwait Petrochemical Industries Co. The petrochemical subsidiary was the first locally incorporated unit to branch out forming joint ventures and acquiring companies outside Kuwait.

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The company's forecast for its consolidation efforts over the last 18 months would produce results during the 1984-85 fiscal year ending June 30. It budgeted an estimated \$11.8 million in total revenues. Company officials say they hope total profit will almost double from \$1.9 billion last year to \$3.3 billion this year.

In the 1983-84 fiscal year, total profit amounted to 345 million dinars. Net profit for the same period was 280 million dinars.

All KPC reports, including the annual report, omit profit and loss accounts for its subsidiaries, and the only figures available are consolidated for the corporation as a whole. Thus, an assessment of its

financial performance is difficult. But it is clear that the contribution of the subsidiaries incorporated outside Kuwait to the company's total revenues is modest, at about 18 percent of the total. The reports also show that KPC continues to rely heavily on sales of crude and refined products, representing 41 percent and 33 percent of total revenues respectively.

The year-end results also show that petrochemical sales amounted to less than 1 percent of total revenues. Income from shipping subsidiaries, grouped with other marginal operations, was 8 million dinars, which is a fraction of 1 percent of total revenue.

KPC's chairman, who is also minister of petroleum and industry, Sheikh Ali Khalifa al-Sabah, is the architect of the company's growth. He correctly predicted shortly after the company's incorporation that it would be selling 60 percent of its total exports as products in 1983.

The Gulf war has had a tangible impact on KPC exports, which dropped at the height of the tanker war during May and June last year, prompting a collective decision by the Gulf's exporters to replace shipments hit by Iran or Iraq. It has also led Kuwait to take the added burden of chartering from 15 to 20 vessels monthly to deliver shipments to clients outside the Gulf's troubled waters at the United Arab Emirates port of Khor Fakkan.

— OLFA TOHAMY

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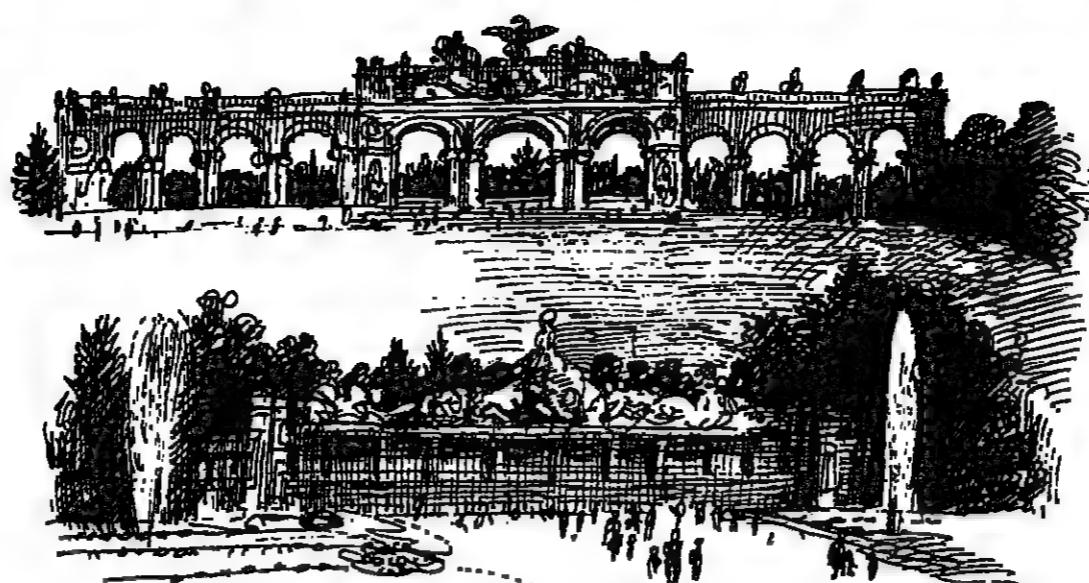
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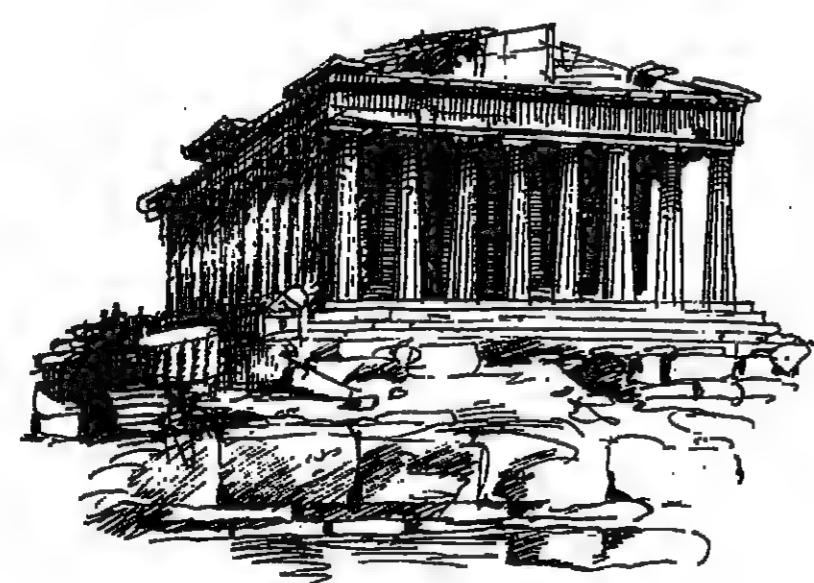
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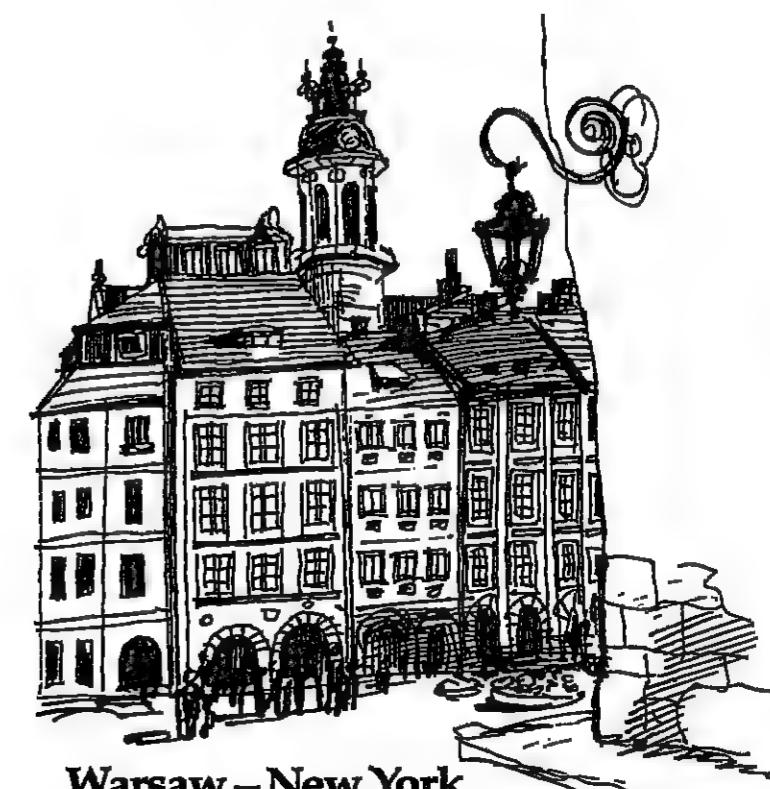
Nice - New York
New daily nonstop 747



Athens - Los Angeles
New daily service



Belgrade - New York
New service via Frankfurt



Warsaw - New York
New exclusive daily service

In 1985 Pan Am's service will keep on growing. That means more nonstop flights from cities we already serve, plus new flights to even more cities throughout Europe.

So whether you're flying within Europe or to America, Pan Am is now an even better choice.

But there's more good news.

In Europe we'll be using our new Airbuses, so you can travel in wide-bodied comfort. Across the

Atlantic you'll be able to experience our new refurbished 747's with more space for business.

If you're flying to New York you'll find Pan Am the only airline with all its flights, both international and internal, under one roof, and Pan Am serve over 40 U.S. cities.

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Call your Travel Agent or Pan Am for details.



Pan Am. You Can't Beat The Experience.®

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
U.S. Gains	26,079	475	457	474	+ 10
United	1,200	124	124	124	+ 10
NICAvs &	1,200	124	124	124	+ 10
AT&T	1,200	124	124	124	+ 10
Texaco	1,200	124	124	124	+ 10
IBM	1,200	124	124	124	+ 10
Dixons	1,200	124	124	124	+ 10
AMR	1,200	124	124	124	+ 10
H&P Power	1,200	124	124	124	+ 10
IBM	1,200	124	124	124	+ 10
Schlitz	1,200	124	124	124	+ 10
Louis	1,200	124	124	124	+ 10
Pfizer	1,200	124	124	124	+ 10

Dow Jones Averages

	Open	Previous	High	Low	Class	3 P.M.
Indus.	1264.11	1270.61	1264.95	1260.55	1271.01	
Trans.	990.76	981.52	991.23	988.21	982.45	
Transport.	1020.24	1020.24	1020.24	1020.24	1020.24	
Utilities	97.28	94.65	97.02	93.95	94.61	
Finance	199.27	198.41	198.41	198.41	198.41	

Previous NYSE Diaries

	Class	Prev.
Advanced	725	672
Declined	510	479
Unchanged	510	479
New Highs	125	125
New Lows	125	125
Volume down	46,324,270	36,324,270

NYSE Index

	High	Low	Close	Today
Composite	105.20	104.52	105.02	105.02
Transport.	105.20	104.65	105.02	105.02
Utilities	97.28	94.65	97.02	97.02
Finance	199.27	198.41	198.41	198.41

	Buy	Sales	3 P.M.
April 16	225,443	46,570	225,443
April 17	225,443	46,570	225,443
April 18	221,738	45,616	217,757
April 19	220,447	45,616	217,757
April 20	220,447	45,616	217,757

*Included in the sales figures
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

	Class	Prev.
Advanced	725	672
Declined	510	479
Unchanged	510	479
New Highs	125	125
New Lows	125	125
Volume down	46,324,270	36,324,270

Wednesday's NYSE 3 p.m.

	Buy	Sales	3 P.M.
April 16	225,443	46,570	225,443
April 17	225,443	46,570	225,443
April 18	221,738	45,616	217,757
April 19	220,447	45,616	217,757
April 20	220,447	45,616	217,757

*Included in the sales figures
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

Previous AMEX Diaries

	Class	Prev.
Advanced	201	194
Declined	201	194
Unchanged	201	194
Total Issues	214	209
New Highs	214	209
New Lows	214	209
Volume down	220,140	211,125

	Buy	Sales	3 P.M.
April 16	225,443	46,570	225,443
April 17	225,443	46,570	225,443
April 18	221,738	45,616	217,757
April 19	220,447	45,616	217,757
April 20	220,447	45,616	217,757

NASDAQ Index

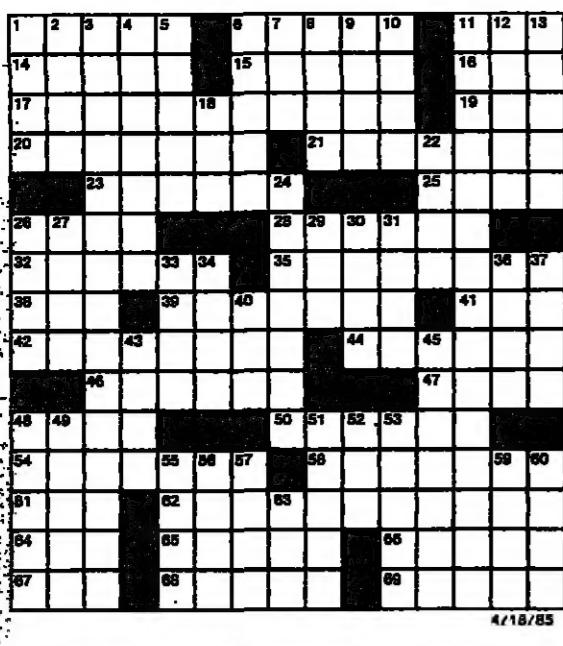
	Week	Year	Avg.	3 P.M.
Composite	202.28	202.12	202.12	202.12
Transport.	202.28	202.12	202.12	202.12
Finance	202.28	202.12	202.12	202.12
Banks	202.28	202.12	202.12	202.12
Trans.	202.28	202.12	202.12	202.12

	Buy	Sales	3 P.M.
April 16	225,443	46,570	225,443
April 17	225,443	46,570	225,443
April 18	221,738	45,616	217,757
April 19	220,447	45,616	217,757
April 20	220,447	45,616	217,757

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
BergB	7075	274	26	26	- 14
CYBRO	2991	274	26	26	- 14
Ultima	1119	142	132	132	+ 14
Domtar	1119	142	132	132	+ 14
Delimed	1155	141	132	132	+ 14
MOT	1191	4	3	3	+ 14
NIRAN	765	247	24	24	+ 14
GCR	247	247	24	24	+ 14
SGCB	619	212	202	202	+ 14
Sterifit	606	192	182	182	+ 14

	Buy	Sales	3 P.M.
April 16	225,443	46,570	



PEANUTS



BOOKS

THE GREAT BETRAYAL:
The Untold Story of Kim Philby's Biggest Coup

By Nicholas Bethell. 214 pp. £9.95.
Hodder and Stoughton, 47 Bedford Square, London, WC1.

Reviewed by By Joseph Fitchett

SINCE the Iron Curtain divided Europe after World War II, the West has made only one known attempt to subvert a Communist regime in Eastern Europe by force of arms. It was a joint U.S.-British operation to start a guerrilla war in Albania, which turned out to be one of the great Western intelligence disasters of the post-war era.

Between 1949 and 1953, first the British and then the U.S. secret services armed and trained Albanians to serve in an anti-communist resistance movement against the regime of Enver Hoxha, leader of Albania from 1944 until his death last week.

The operation was betrayed from the outset by Kim Philby, the Soviet master spy.

Albanian government forces were waiting for the guerrillas as they entered the country, almost all were captured and made public confessions. Thousands of Albanians were tortured, condemned to forced labor or executed. Hundreds are still in prison.

In the first detailed account of the Albanian venture, "The Great Betrayal: The Untold Story of Kim Philby's Biggest Coup," Nicholas Bethell says that the operation continued even after Philby was suspected because of bureaucratic momentum.

It was a crucial historical moment. The Cold War was starting, and British and U.S. officials — many of whom had seen Soviet repression firsthand while they were operating behind Nazi lines with partisan forces in World War II — decided that Albania would start the rollback of Soviet power. The Albanian insurgency was the centerpiece of the West's attempt to reassert the initiative in the Cold War that had begun the year before with the Soviet blockade of Berlin.

But these men resorted to the methods they knew from wartime experience, without modifying them to reflect the changed political conditions of peace time. This time, no official

Western involvement with the resistance could be allowed to surface. No official Western air-cover or naval power to back up the "pixies," as the Albanians who infiltrated their homeland were known.

The fiasco apparently convinced Western governments that they could never envisage an insurrection behind the Iron Curtain with these methods and these constraints.

It was a crucial secret turning-point in East-West history. Bethell, a British peer who is a Conservative member of the House of Lords and the European Parliament, managed to reconstruct the episode, largely by interviewing Albanian survivors, who defied CIA orders in talking to him. Officially still secret, the Albanian operation only surfaced in the West because Philby, in his post-defection memoirs, gleefully gave his version of it.

Bethell is successful in recreating the mood of the times, avoiding the trap of facile indignation about Western skulduggery in the cold war seen comfortably from the 1980s.

He compellingly evokes the emotions propelling influential Britons and Americans. Typical was Julian Amery, who later sat in the British cabinet. Amery, who had served with the Albanian partisans, was ashamed at the way Britain at the war's end had let down the Albanian royalists, handing over Albania to the Red Army-backed Communist partisans. (That campaign is vividly recalled in a new book by another key British special-forces soldier, "Albanian Assignment" by David Smiley, published in London by Chatto & Windus.)

Many British decision-makers were nostalgic for this bit of the Balkans, where Britons had played the great game for nearly a century. This romantic era, which subsequently provided the raw material for a generation of heroic British thrillers, is definitively reconstructed by Margaret FitzHerbert in her book, "The Man Who Was Greenmantle," which has just been issued in paperback by Oxford University Press.

U.S. officials who took over the Albanian operation were ready to start playing the contemporary version of the great game with the Soviet Union.

Bethell's title, "The Great Betrayal," refers to Philby's treachery, but it also covers another act of betrayal: the exploitation of the Albanian nationalists' patriotism by Western leaders eager to catch the Kremlin's attention.

Stalin was helping Communist guerrillas in Greece. He had crushed democracy in Czechoslovakia, ignoring his pledges at Yalta. He was threatening Yugoslavia. Stalin needed, U.S. and British leaders felt, a lesson calculated to warn him off fresh aggression.

Officially, the operation ended with the death of Stalin, but it was already defeated. And the liberation of Albania had long since disappeared from view.

We were a small part of a big game, pawns that could be sacrificed," Bethell quotes a survivor as saying. This kind of duplicity fits the rules of the underground wars described by thriller writers such as John le Carré.

But anyone reading the book is bound to come away asking how far the questions it raises might apply to Western policy toward, say, Afghanistan or Nicaragua.

Joseph Fitchett is on the staff of the International Herald Tribune.

ACROSS

- 1 Park, Colo.
- 6 Strong winds
- 11 Nos. man
- 14 Reprimand
- 15 "for somebody": Burns
- 16 Part of a trip
- 17 The U.S. Congress
- 18 Baby's aunt
- 20 Norrata
- 21 Deflected, as light
- 23 Done, to a Tuscan
- 25 Curate relative
- 26 Anent
- 28 Precursors of mode
- 32 "Here's—!"
- 33 "How sweet is love itself": Romeo
- 38 Bar stock
- 39 —throw (short distance)
- 41 Memorabilia
- 42 Revels
- 44 —prunes
- 46 Unrefined
- 47 Anagram for Ashe
- 48 Top cards
- 50 Discoverer of six comets
- 51 D.C.C.C. work
- 52 "War and peace hereinafter"
- 53 Special drink
- 54 Needfishe
- 55 Speech form
- 56 Type of toast
- 57 Unit of energy
- 58 Flavorful
- 59 "a Grecian Urn": Keats
- 60 —signum (see the proof)
- 61 Humber
- 62 Bulldog, for one
- 63 —order (align)
- 64 Walstoat
- 65 Berlino's explosive
- 66 Blideaway
- 67 Perry's creator
- 68 Word with praise
- 69 "...with seven wives"
- 70 Stainless
- 71 Peter's
- 72 To Live"
- 73 O'Hara
- 74 Coniferous tree
- 75 Comb. form
- 76 Collar
- 77 Fermi's subject
- 78 Gide's "Die"
- 79 Pop
- 80 Protection
- 81 Bridesfisc
- 82 "...with
- 83 Received

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DENNIS THE MENACE



"THE REASON I LIKE TURTLES BEST IS BECAUSE THEY'RE THE ONLY PETS YOU CAN PARK YOUR GUM ON."

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.



DYNAD

WILLT

CLAIOS

REVOUD

ANSWER AT THE BOTTOM OF THE PAGE

(Answers tomorrow)

Yesterday's Jumble: USURP, CREEK, ABDUCT, DROWSY

Answer: What a person who spends too much time studying ceramics might end up as — A CRACKPOT

WEATHER

EUROPE	ASIA				
	HIGH	LOW	HIGH	LOW	
Aberdeen	23	72	13	41	Ir.
Amsterdam	23	72	13	41	Belgium
Barcelona	19	72	13	46	Korea
Berlin	19	72	13	46	Monaco
Brisbane	16	61	8	46	New Delhi
Budapest	16	61	8	46	Seoul
Copenhagen	13	52	1	38	Tokyo
Dublin	14	57	18	38	Turkey
Edinburgh	14	57	18	38	
Finnmark	14	57	18	38	
Freiburg	14	57	18	38	
Gelsenkirchen	14	57	18	38	
Helsinki	15	59	1	39	
Istanbul	15	59	1	39	
Johannesburg	15	59	1	39	
Lisbon	15	59	1	39	
London	15	59	12	57	
Madrid	15	59	12	57	
Milan	15	59	12	57	
Munich	15	59	12	57	
Nice	15	59	11	32	
Oslo	15	59	11	32	
Paris	15	59	11	32	
Rome	15	59	1	39	
Stockholm	15	59	1	39	
Turku	15	59	1	39	
Venice	15	59	12	57	
Vienna	15	59	12	57	
Wiesbaden	15	59	12	57	
Zurich	14	59	12	57	
MIDDLE EAST					
Ankara	26	72	10	41	Ir.
Bahrain	26	72	17	43	Lebanon
Jerusalem	26	72	17	43	Palestine
Jerusalem	26	72	17	43	Yemen
Tel Aviv	34	72	12	54	Ir.
OCEANIA					
Auckland	26	72	10	41	Ir.
Brisbane	26	72	17	43	Ir.
Dunedin	26	72	17	43	Ir.
Jerusalem	26	72	17	43	Ir.
Tel Aviv	34	72	12	54	Ir.
THURSDAY'S FORECAST — CHANNEL 1					
Frankfurt	16	51	10	43	FRANKFURT: Slightly cloudy, 60° (16°). MADRID: 16° (10°). PARIS: 16° (10°). ROME: 16° (10°). TURKEY: 16° (10°). WIND: 10-15 mph. Cloudy. Wind: 10-15 mph. Showers: S-shower.
London	20	48	13	55	sh.
Madrid	20	48	13	55	sh.
Paris	21	50	13	55	sh.
Rome	21	50	13	55	sh.
Turkey	21	50	13	55	sh.
WEATHER					
Europe	23	72	10	41	Ir.
Asia	21	72	14	57	Monaco
Barcelona	19	72	13	46	New Delhi
Berlin	19	72	13	46	Seoul
Brisbane	16	61	8	46	Tokyo
Budapest	16	61	8	46	
Copenhagen	13	52	1	38	
Dublin	14	57	18	38	
Edinburgh	14	57	18	38	
Finnmark	14	57	18	38	
Freiburg	14	57	18	38	
Gelsenkirchen	14	57	18	38	
Helsinki	15	59	1	39	
Istanbul	15	59	1	39	
Johannesburg	15	59	1	39	
Lisbon	15	59	1	39	
London	15	59	12	57	
Madrid	15	59	12	57	
Milan	15	59	12	57	
Munich	15	59	12	57	
Nice	15	59	11	32	
Oslo	15	59	11	32	
Paris	15	59	11	32	
Rome	15	59	1	39	
Stockholm	15	59	1	39	
Turku	15	59	1	39	
Venice	15	59	12	57	
Vienna	15	59	12	57	
Wiesbaden	15	59	12	57	
Zurich	14	59	12	57	
THURSDAY'S FORECAST — CHANNEL 2					
Frankfurt	16	51	10	43	FRANKFURT: Slightly cloudy, 60° (16°). MADRID: 16° (10°). PARIS: 16° (10°). ROME: 16° (10°). TURKEY: 16° (10°). WIND: 10-15 mph. Cloudy. Wind: 10-15 mph. Showers: S-shower.
London	20	48	13	55	sh.
Madrid	20	48	13	55	sh.
Paris	21	50	13	55	sh.
Rome	21	50	13</		

SPORTS

Islanders Nip Capitals, 2-1, to Complete Comeback

Compiled by Our Staff From Dispatches

LANDOVER, Maryland — The New York Islanders completed the first comeback ever from a two-game deficit in a five-game National Hockey League playoff series with a 2-1 triumph over Washington here Tuesday night, while Quebec and Montreal set up an intra-provincial battle with late-game-winning goals against Buffalo and Boston, respectively.

Second-period goals by Anders Kallur and Brent Suter gave New York goalie Billy Smith the working margin he needed against the Capitals in their Patrick Division semifinal. Smith, always tough in the playoffs, finished with 39 saves.

The victory sends the Islanders, who won four consecutive Stanley Cup titles before losing to Edmonton in the finals last season, into the best-of-seven final divisional finals against the Flyers; the series will open Thursday night in Philadelphia.

Craig Laughlin lost the puck at center ice and Kallur beat goalie Pat Riggan on a breakaway, snapping a scoreless tie at 10:08 of the second period. New York, which had lost five previous road games in playoff competition, made it 2-0 at the 16:56 mark when Suter took a backhand pass from Mike Bossy in front of the net and shot between Riggan's legs.

Bob Carpenter, a 53-goal scorer for Washington during the regular season, got his first goal of the playoffs — and the Capitals' last — 29 seconds before the end of the second period.

New York dismissed Washington from the postseason for the third straight year. "We wouldn't do anything different except win," said Washington's coach, Bryan Murray. "To say that we're disappointed is an understatement."

There must be something with Billy Smith that gets us to every playoff season." It was Smith's 88th career

goal.

Nordiques 6, Sabres 5

In Quebec City, Brent Ashton, capping a three-goal third-period

shot by goalie Tom Barrasso at

18:31, leaving the Sabres winless in the Le Colisee since December 1982.

Phil Housley had given Buffalo a

two-goal third-period lead on a

screamed shot from the blue line at

1:27. But Quebec stormed back to a

5-5 tie with two goals in less than

two minutes. Alain Cote tallied at

11:02, beating Barrasso after Paul

Gillis had won a face-off in the

Buffalo zone. Randy Moller evened

the score at 12:10 as his rebound

went off Buffalo's Craig Ramsay

and into the net.

(AP, UPI)

The Associated Press

Toby Harrah, here the middleman on a double play that forced Garth Iorg on the front end, had an RBI double to help Texas beat Toronto, 9-4, for the Rangers' first victory of the year.

Tigers Win Sixth in a Row, 2-1

Compiled by Our Staff From Dispatches

DETROIT — Six games into the 1985 season, the Tigers are again threatening to run away from the pack in the American League East.

"I don't think anybody is thinking about," said shortstop Alan Trammell of Detroit's possi-

bility to be sacrificed.

"Detroit has been the best team in the league," said John le Carré, whose book, "The Great Betrayal," is currently being serialized in the New York Times.

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ignoring his pledges at Yalta, in

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PEOPLE

Group Honors Sakharov



ART BUCHWALD

Healing the Wounds

WASHINGTON — President Reagan couldn't understand what all the fuss was about when it was announced that he was going to visit a German military cemetery next month and pay tribute to German soldiers killed in World War II.

The White House said the president had originally decided not to visit the Nazi concentration camp at Dachau, or an Allied war cemetery, because his trip was being made in the "spirit of reconciliation" and Reagan did not want to open old wounds.

While no one doubts that the president is a great communicator, every once in awhile he does fall on his face. How did he make his most recent blooper? One theory, advanced by Bill Greider of Rolling Stone, is that Reagan's advance team was so busy buying BMWs at half price that they didn't check out the political ramifications of the decision.

"Mr. President, here is the itinerary for your trip to West Germany in May. We've got you down for a trip to the Bitburg Military Cemetery. The Germans thought it would be a nice gesture if you visited a place where only German soldiers are buried. It would show that you are willing to let bygones be bygones."

"I have no objection, but



Buchwald

shouldn't I visit Dachau and an Allied cemetery as well?"

"That would be opening up old wounds, Mr. President. We can't send a wrong message to the Germans at this time."

"How can I send a wrong message to the Germans if I visit Dachau?"

"Because you don't want to remind them of all the bad stuff they did during the war. It would be a mistake to lay a guilt trip on West Germany just when we got them to take our Pershing missiles."

"There's something in that. At the same time you are aware there is going to be a tremendous amount of flak from our veterans and also the victims of the Nazis. How do I handle it?"

"You can say at your press conference we can't hold today's Germans responsible for things that their ancestors did in World War II."

"Ancestors?"

"Of course. All the Germans involved in World War II are dead. They told me so at the BMW showroom."

"I thought there were quite a few ex-Nazis alive."

"There are none in Germany. The only ones left are living in Argentina."

"Won't our ex-GIs be upset if I go to a German military cemetery without stopping by an Allied one?"

"There are hardly any of our veterans from World War II alive either. We're talking about something that happened over 40 years ago. Besides, if you go to an Allied cemetery after visiting a German military graveyard, Bonn will feel like a skilled clerical, business or professional jobs."

"Those are the demographics," Taylor said recently in her office overlooking Times Square. "We look beyond numbers to the reader's mind-set. We're editing this book for black women whether they're doctors and lawyers, secretaries, nurses, college students, single mothers, women struggling to get off welfare. The thread that connects us is that we're all interested in moving forward."

Essence marks its 15th anniversary next month with a cover story on Lena Horne and the latest advertising issue ever. Since its first issue, purchased by Taylor and 50,000 other women, the

magazine has never had a decline in revenues or circulation.

Yet as Taylor and others who helped shape Essence acknowledge, it has had its problems. Born during the "Black Is Beautiful" movement, Essence came under fire at first for being "just another woman's magazine in black face." Too much space was given to high-fashion layouts, readers complained, too little space to the real lives of black women.

This drew criticism, both inside and outside the magazine. The powers at Essence, now Edward Lewis, its publisher, and Clarence Smith, head of Essence Communications, contended at times that long articles on weighty topics skewed the magazine's balance.

The female editors argued back, winning some, losing some. Calling one of the victories, coverage of the criminal justice system, Gillespie said, "In retrospective, I think we used too heavy a hand."

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"Some black people didn't

The 'Essence' of Susan Taylor

By Georgia Dulles
New York Times Service

NEW YORK — Susan Taylor walked into a candy store in the Bronx one day to buy a magazine. Faces of white fashion models and white movie stars smiled from the magazine covers on the rack. Reaching for a familiar magazine, she noticed a new one — Essence. The date of that first issue was May 1970, and the face on the cover was young and black like hers.

I kept flipping pages and thinking, "Oh, God, a magazine devoted to black women," said Taylor. "I didn't know whether to read it or hug it."

Taylor, in her corn-rowed hair and tailored suit, 39-year-old Susan Lillian Taylor is to the Essence Woman what Helen Gurley Brown is to the Cosmopolitan Girl.

As editor in chief of the magazine, which has a circulation of 800,000 and a readership of 3.7 million, she writes about black women's "empowerment" in her monthly column. As host and executive producer of "Essence, the Television Program," produced at NBC studios in New York and syndicated on 49 stations, she is becoming as well-known as the celebrities she interviews.

In private life, Taylor is divorced and the mother of a 15-year-old daughter, whom she has supported since infancy. She is also an undergraduate at Fordham University. In her varied roles, she says she feels "like a sister" to Essence readers, 18 to 49, well educated, working in skilled clerical, business or professional jobs.

"Those are the demographics," Taylor said recently in her office overlooking Times Square. "We look beyond numbers to the reader's mind-set. We're editing this book for black women whether they're doctors and lawyers, secretaries, nurses, college students, single mothers, women struggling to get off welfare. The thread that connects us is that we're all interested in moving forward."

Essence marks its 15th anniversary next month with a cover story on Lena Horne and the latest advertising issue ever. Since its first issue, purchased by Taylor and 50,000 other women, the

magazine has never had a decline in revenues or circulation.

Yet as Taylor and others who helped shape Essence acknowledge, it has had its problems.

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The female editors argued back, winning some, losing some. Calling one of the victories, coverage of the criminal justice system, Gillespie said, "In retrospective, I think we used too heavy a hand."

Another former editor in chief, Daryl Royster Alexander, spoke of readers' reaction to a profile on Idi Amin published while he was dictator of Uganda.

"Some black people didn't

want to hear that another black person was a monster," she recalled. What has kept Essence fresh, relevant and even controversial, she added, "is treating readers as grown-ups who are able to deal with a lot of issues that are not always very appetizing."

Fiction, too, is sometimes frank in language and subject matter. Despite angry letters and threats to cancel subscriptions, the policy stands: "If the word fits, use it."

That is one reason the works of many major black writers and poets have appeared in the pages of Essence. Among them are Maya Angelou, Toni Cade Bambara, Amiri Baraka, Nikki Giovanni, June Jordan, Paule Marshall, Toni Morrison, Gloria Naylor, the late Larry Neal, Les Payne, Ishmael Reed, Nozake Shange and Alice Walker.

Essence has changed as black concerns have changed, according to Susan Taylor, who took over in 1981. Under her editorship, the magazine has reached out to male readers, with an annual issue on men and a monthly column by men, "Say, Brother."

By providing a forum for complex issues, Taylor said, Essence aims to strengthen black relationships and black families.

Essence also aims to project positive images of black women. Last August, when the first black Miss America had posed for sexually explicit nude photographs, the September issue of Essence was already at the printer. On the cover was Vanessa Williams and inside were photographs of her modeling clothes. The headline read: "Miss America Gets Suited for Fall!"

The reaction of Essence and its editor? "You took off your clothes — wrong move, for sure. But come on home, sister."

The October issue carried an open letter to Williams from Taylor. It said, in part: "The fact that it took 63 years for a black woman to be named Miss America unmasks a racial bias that we should find more offensive morally than any transgression on your part. Isn't it interesting, Vanessa, that in this country nudity is a disgrace and racism isn't?"

The dissident Soviet physicist Andrei D. Sakharov, who reportedly threatened to resign from the Soviet Academy of Sciences, has been elected a fellow of the American Physical Society, the U.S. organization announced. The group, of which Sakharov has been a member since 1982, said Sakharov's stepdaughter, Tanya Yanklevich, who lives in Massachusetts, agreed to accept the certificate of fellowship on behalf of Sakharov at a ceremony April 25 in Crystal City, Virginia. Sakharov, 63, was sent into internal exile in Gorki in January 1980. Sources in the Soviet Union said late last month that he had threatened to quit the Soviet Academy of Sciences if it did not take action to improve conditions for him and his wife.

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Graeme Steel, son of David Steel, the British Liberal Party leader, has pleaded guilty to breaking into a grocery store. A court in Selkirk, Scotland, sentenced him to 75 hours of community service. Steel, 18, and three other men admitted stealing cigarettes, beer, cash and groceries on Jan. 1 from a store in southeastern Scotland.

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NEW MODEL — Princess Stephanie of Monaco, who recently started working as a model in Europe, will make her U.S. modeling debut later this month.

Two Turners — the actress, Kathleen, and the singer, Tina. The magazine did not say how it chose the 10 women.

The Academy Award-winning actress Linda Fontaine, 67, will replace Loretta Young, 72, another Oscar winner, in the television movie "Dark Mansions," an Aaron Spelling production that could become a prime-time soap opera. Fontaine, who won the best actress Oscar for "Rebecca" in 1940, was assigned to the role in the series about a Seattle shipbuilding family after Young, who won for "The Farmer's Daughter" in 1947, dropped out of the cast, citing artistic differences. The two-hour film will be shown during the 1985-86 season on ABC.

Rome Pieces Together Marbles of Greek Origin

The Associated Press

ROME — After seven years of searching municipal cellars and crates for more than 50 pieces of marble, the city of Rome has unveiled the decorated pediment of a fifth century B.C. temple of Apollo made of Greek marbles. The work is to be displayed in Athens.

Three columns of the temple of Apollo, erected in Rome in 37 B.C., still stand in central Rome. Parts of the pediment, composed of pilaged Greek marbles, were scattered around the city. The sculptures show a fight between the Greeks and the Amazons.

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